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Daily Report
Latin America

FBIS-LAT-96-109 *5 June 1996*

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International Affairs: Argentine Minister on U.S. Law

PY0406185296 Madrid EFE in Spanish 1514 GMT 4 Jun 96

[FBIS Translated Text] Hanoi, 4 Jun (EFE) — Argentine Foreign Minister Guido Di Tella reiterated in Hanoi today that his government condemns a law that the United States seeks to implement against countries trading with or investing in Cuba.

Di Tella told EFE: "Argentina clearly stated its position against the law at the time of the Torricelli amendment. More recently, it repeated its position with this aggravated version, the Helms-Burton Law."

The Argentine foreign minister is on an official visit to Vietnam. He arrived yesterday at the head of an important entrepreneurial delegation. The visit seeks to strengthen bilateral political, economic, and commercial relations.

Di Tella said: "The U.S. embargo has not served any purpose," adding: "Everything that Cuba cannot buy in the United States it purchases in Spain, Venezuela, Mexico, or anywhere in the world."

Di Tella said the embargo "only served as an excuse for Commander (Fidel) Castro to justify his economic mistakes."

The government in Havana maintains that the financial and economic blockade imposed by Washington against its country since 1961 has cost the economy more than $40 billion in different areas.

Di Tella said: "We think that during past few years there have been very important changes, which we must encourage, toward a market economy in Cuba. We must do exactly the opposite of what is encouraged by the Helms-Burton Law."

The Argentine foreign minister will stay in Vietnam until 6 June. Then he will travel to Bangkok, last leg of his Asian tour that ends on 8 June.

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Inter-American Affairs: OAS Resolution on Helms-Burton Law

PA0406233596 Panama City ACAN in Spanish 2133 GMT 4 Jun 96

[FBIS Translated Text] Panama City, 4 Jun (ACAN-EFE) — All of the member countries of the OAS, except the United States, which voted against it, today approved a resolution against the Helms-Burton law because it violates international law.

The resolution, which was not part of the official agenda of the 26th Assembly of the OAS, being held in Panama, orders the Inter-American Juridical Committee, whose home office is in Brazil, to prepare an assessment on the U.S. law that hardens the economic embargo against Cuba.

The American countries presented the resolution against the law considering that it could violate the OAS Charter because of its extraterritorial nature.

The resolution states:

"Whereas:

"One of the essential objectives of the OAS, as established in its charter, is the search for solutions to political, legal, and economic problems that may emerge among member states.

"International order is essentially based on respect for the individuality, sovereignty, and independence of the states and on strict compliance with obligations resulting from treaties and other reservoirs of international law, as it is reaffirmed in Article 3 of the OAS Charter.

"Articles 10 and 34 of the charter state that all American states are obligated to respect the rights that other states enjoy in line with international law.

"Resolves:

"1. To order the Inter-American Juridical Committee to examine the case at its forthcoming sessions as a priority, to reach a conclusion, and to present to the Permanent Council its opinion on the validity of the Helms-Burton law according to international law.

"2. To ask that the Permanent Council to report on the implementation of this resolution at the 27th session of the OAS General Assembly."

Inter-American Affairs: L.A. Parties Conference on U.S. Law

PA0506022496 Madrid EFE in Spanish 2241 GMT 4 Jun 96

[FBIS Translated Text] Mexico City, 4 Jun (EFE) — the Permanent Conference of Latin American Political Parties [COPPPAL] today condemned the "obstinate," U.S. decision to implement the Helms-Burton law despite international rejection.

In a communique from COPPPAL President Santiago Onate, leader of the governing Institutional Revolutionary Party of Mexico, the organization reiterated its solidarity with the Cuban people and its respect for sovereignty in the face of foreign influences and pressure.

COPPPAL expressed regret that despite the international community's rejection of the implementation of the Helms-Burton law due to its extraterritorial feature, the United States "obstinately insists on imposing it on third countries."

COPPPAL stated that the region's parties are observing "with concern the tightening of economic penalties against the government and the people of Cuba" by U.S. authorities.

The Helms-Burton law approved by the United States following the downing of two small planes of the organization "Brothers to the Rescue" by Cuban jets has nothing to do with international law and trade and goes against international norms of nonmeddling in other countries' affairs, COPPPAL stated.

COPPPAL sees a "contradiction" in the pretense to implement a law claiming authority over international norms just as "Latin American and Caribbean integration to an open economy world is being encouraged."

COPPPAL backed the initiatives of the countries of the region to defend their commercial interests and their right to decide on their bilateral relations with Cuba.

In this regard, the organization spoke in favor of generating international and multilateral actions to reject these types "of measures that are contrary to the spirit of Latin American and Caribbean integration."

Inter-American Affairs: Argentine Official on U.S. Law

PY0506031696 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0105 GMT 5 Jun 96

[FBIS Translated Text] Panama, 4 Jun (AFP-NA) — Argentina, one of the staunchest allies of the United States with regard to policy vis-a-vis Cuba — rejected the Helms-Burton law in Panama today "on the grounds that it violates international law."

Addressing the OAS General Assembly, Deputy Foreign Minister Fernando Petrella stated that the Helms-Burton law "hinders the democratization process that we want to see in Cuba."

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Moreover, Petrella stated that he opposed the Helms-Burton law "because it expresses the U.S. intentness on enforcing this law outside its national territory, something which violates international law."

The Helms-Burton law seeks to impose sanctions against those foreign companies or nations that do business with Fidel Castro's regime.

Furthermore, the Argentine deputy foreign minister underscored the importance of the approval, in March, of the Inter-American Convention Against Corruption, one of the leading problems bedeviling Latin American nations.

Petrella pointed out: "This legal tool, which is unique in its kind, constitutes the most significant step the hemisphere has made in the area of legal and judicial cooperation in the struggle against this scourge."

Inter-American Affairs: Colombian Minister on U.S. Law

PA0406223996 Panama City ACAN in Spanish 1814 GMT 4 Jun 96

[FBIS Translated Text] Panama City, 4 Jun (ACAN-EFE) — Colombian Foreign Minister Rodrigo Pardo said at a plenary meeting of the 26th OAS General Assembly today that the Helms-Burton law represents "a flagrant violation" of the charter of the American political institution.

The head of Colombian diplomacy said: "The extraterritorial implementation of domestic laws, which is what is behind the Helms-Burton law, is a flagrant violation of the OAS Charter and deeply contradicts the spirit of Miami that inspired the past Summit of the Americas."

Pardo said there is concern over the fact that unilateral actions in recent times "have been expanded and in several cases have acquired the nature of unacceptable, extraterritorial measures." To overcome this situation, he invoked the need for multilateral, agreed upon, and fair solutions; that is, "a realistic multilateralism to deal with common problems through joint work and negotiations."

He did not mention the United States but rejected "the unilateral evaluation of the results of the struggle against drug trafficking."

The United States decertified Colombia on 1 March, stating it is not doing all it can in the struggle against drugs.

The foreign minister said: "Colombia has been able to dismantle, at a very high cost, the largest and most dangerous drug cartels and has initiated programs to substitute illegal plantations."

The transnational nature of illegal drug trafficking and of related crimes requires "a transnational response also," said Pardo, who insisted "unilateral policies in this regard have been inefficient."

The new OAS agenda, he concluded, must take advantage of the historic wealth of the inter-American system to develop an American, international law.

Inter-American Affairs: Guatemalan Minister on U.S. Law

PA0406224896 Panama City ACAN in Spanish 1744 GMT 4 Jun 96

[FBIS Translated Text] Panama City, 4 Jun (ACAN-EFE) — Guatemala today began its rejection of the Helms-Burton law, which tightens the economic embargo on Cuba, and agreed to discuss this matter within the OAS' Inter-American Juridical Committee.

Guatemalan Foreign Minister Eduardo Stein said during a news conference that if the world of concern regarding the effects of the Helms-Burton law can be taken care of by the Committee, then Guatemala "would join" a request in that direction.

The minister added that the committee would be a "healthy setting" for looking into this matter, considering that the opinion of this organization is not binding, but can be useful for the OAS member states.

Stein explained that he does not know the contents of the text of the resolution draft against the Helms-Burton law that the countries of the Rio Group and Canada will present to the plenary of the 26th General Assembly which opened yesterday, Monday, in Panama.

The head of Guatemalan diplomacy said that Guatemala respects U.S. domestic decisions, but it "cannot accept," he said, "a law of this nature. We are one of those governments that prefers that the law be reconsidered," he stated.

Inter-American Affairs: Panamanian Minister on U.S. Law

PA0406222496 Panama City ACAN in Spanish 1947 GMT 6 Jun 96

[FBIS Translated Text] Panama City, 4 May (ACAN-EFE) — Panama today defended free trade and expressed its rejection of the Helms-Burton law, which intensifies the embargo against Cuba and contains sanctions against countries that trade with the island.

Panamanian Foreign Minister Ricardo Alberto Arias said in his speech to the 26th OAS General Assembly: "We consider as unacceptable and counterproductive the pretense of attributing an extraterritorial purview and

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implementation of an internal U.S. law and using it to make other countries do something within their international relations." In this regard, Arias said Panama "does not need and does not accept any impositions in defining its relations with third countries."

Arias defended free trade and said the more integration and globalization there are, the greater the need for multilateralism in the international scene; "otherwise, we would enter the dangerous path of trade disputes."

Among other topics, the Panamanian foreign minister also spoke about the Panama Canal, the fight against drug trafficking, and the revitalization of the OAS.

The diplomat said Panama intends to reaffirm its commitment to achieve a wide and democratic consensus in the country to strengthen the international community's confidence regarding its ability and responsibility to operate the Canal when it is turned over to Panamanian hands in the year 2000. He said the U.S. and Panamanian Governments are effectively committed to the transition of the waterway and to continue running it in an "efficient and uninterrupted" manner. The treaties both countries signed in 1977 stipulate that the Canal and its installations will be turned over to Panamanian hands at noon on 31 December 1999, the date on which the last U.S. soldier should leave the country.

Arias said that with this purpose in mind, Panama will hold the Universal Congress on the Canal on 7 September 1977 [as received] so all parties interested in its efficient, safe, and reliable operation in the 21st century can make their evaluations in this regard. Furthermore, Arias reiterated the offer Panamanian President Ernesto Perez Balladares has made at the Rio Group to facilitate important installations in the areas adjacent to the Canal in order to establish a multilateral center for the fight against drug trafficking and related crimes. Ricardo Alberto Arias also has valued the leading role the OAS has played in the struggle against drug trafficking. Likewise, the Panamanian foreign minister has said the correct actions that have been taken for the revitalization of the OAS "have contributed to the creation of a new image that will allow us to forge a better future for our peoples."

Inter-American Affairs: Venezuelan Official on U.S. Law

PA0506043696 Caracas EL UNIVERSAL in Spanish 4 Jun 96 p 1-11

[Unattributed report]

[FBIS Translated Text] Panama City — Venezuelan Foreign Minister Miguel Angel Burelli Rivas noted during the opening session of the OAS 26th General Assembly the statement of protest against the Helms-Burton law issued by the Rio Group because it goes "against the principles of economic and trade freedom of peoples, without which democracy is an incomplete political affair."

Attending an invitation made by Colombian Foreign Minister Rodrigo Pardo, the foreign ministers of Mexico and Venezuela and, of course, of the neighboring country attended a working breakfast in Panama on the occasion of the OAS assembly, in which they evaluated the activities conducted by the Group of Three during the 1995-96 period.

During the meeting, the provisional [pro tempore] secretariat of the Group of Three was passed on from Colombia to Venezuela.

Burelli Rivas said he was satisfied with the work done by the group and, especially, talked about the dynamism, which high-level groups have acquired in the fields of energy, trade, science, technology, and culture.

The Venezuelan foreign minister proposed — and everyone agreed on it — a meeting of deputy foreign ministers of the Group of Three to evaluate the activities of this past year, as well as to receive a memorandum.

During the recent visit paid by Mexican Foreign Relations Secretary Jose Angel Gurria Trevino, he said that this law, which intends to intensify the blockade on Cuba, "is politically unacceptable."

As it has occurred on previous occasions, the Caribbean country is once again playing the leading role in an OAS General Assembly when the majority of the OAS member countries rejected the Helms- Burton law with which the United States intensifies the economic embargo against that nation.

The "Cuban problem" is not part of the official agenda of the 26th General Assembly of the OAS, which was inaugurated in Panama yesterday, but many of the delegations have been talking about the matter in public statements and in their "hallway" comments.

Inter-American Affairs: MOMEP Coordinator Leaves Post

PY0506034096 Madrid EFE in Spanish 2348 GMT 4 Jun 96

[FBIS Translated Text] Quito, 4 Jun (EFE) — General Francisco Albuquerque, coordinator general of the MOMEP [Ecuador-Peru Military Observers' Mission], today introduced his successor, Brazilian General Licinio Nunes, who will continue the task of overseeing the border between Ecuador and Peru. This change takes

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place without the approval of the new procedures for MOMEP actions.

MOMEP sources have told EFE that Gen. Nunes will assume office on 10 June in Patuca, on the Ecuadoran-Peruvian border, the Ecuadoran site of the MOMEP joint command.

The new MOMEP coordinator was introduced at the end of a meeting of the MOMEP consultative committee held yesterday and today in Quito. It was expected that the procedures for MOMEP actions during the next three months in the zone of the conflict between Ecuador and Peru at the beginning of 1995 would be approved during this meeting.

U.S. Ambassador to Quito Peter Romero said: "It must be taken into account that we do have procedures," which "are functioning very well, because there are no clashes and there are no incursions in the demilitarized zone."

Romero was thus replying to the complaint by General Jorge Ortega, chief of the Ecuadoran Armed Forces Joint Command, who had said that "Ecuador is a bit concerned" over the fact that new procedures have not been approved.

Moreover, Ecuadoran Defense Minister Alfonso Alarcon said that "the new MOMEP procedures must be approved" to analyze denunciations made by Ecuador and Peru regarding violations of the peace agreement. He also criticized the fact that current procedures have been in effect for six months.

The MOMEP has been working in the zone of the territorial conflict in the wake of the undeclared war between Ecuador and Peru at the beginning of 1995, and it is comprised of military observers from Argentina, Brazil, Chile, and the United States, as guarantor countries of the current peace process, and of representatives of Ecuador and Peru.

At the end of the meeting in Quito, Gen. Albuquerque released a communique in which he positively assessed his role over the past six months, noting that during that time there had been "no confrontations, which shows the strengthening of the climate of confidence and relaxation between the two countries."

This communique issued by the MOMEP did not refer to the denunciations submitted by Ecuador and Peru on possible violations of airspace, or on the removal of mines on the common border, which were subjects included on the agenda.

"There are, there had been, and there will be" denunciations concerning aerial incursions, and "it is the MOMEP's job to verify the accusations by the two parties, which means that the MOMEP is doing its job," Romero said.

In another communique sent to Quito, the high-ranking officers of the guarantor countries also positively assessed the work of Gen. Albuquerque, and recalled that "the peace process is now facing a new and decisive stage" for "the final consolidation of peace" between Ecuador and Peru.

Inter-American Affairs: Paraguayan FM on Drug Trafficking

PY0506004696 Asuncion ULTIMA HORA in Spanish 4 Jun 96 p 30

[FBIS Translated Text] Foreign Minister Ruben Melgarejo Lanzoni stated in Panama on 3 June that "corruption not only undermines the foundations of ethics and honesty, but also goes beyond that. Like spreading mold, corruption eats into all the structures of my country, which has inherited this state of affairs from the past."

In an impassioned speech delivered to the 26th OAS General Assembly, which is currently being held in Panama, Melgarejo said that the struggle against poverty and complete destitution will not succeed unless "we vanquish their arch-enemy, which is corruption in all its forms."

In his address, the head of Paraguayan diplomacy underscored the need to abolish poverty, hunger, and ignorance, "which seriously conspire against the realization of freedom and democracy."

To that effect, the foreign minister said he earnestly hoped that democracy and freedom may be really applied to the areas of social justice and the public's welfare.

Melgarejo pointed out: "We are convinced that full liberty can only be exercised in the context of social justice and the integral development of peoples, since it is common knowledge that ignorance in all its forms is one of the most abominable forms of slavery."

Later in his speech, the foreign minister commented on the squalid conditions in which many of the inhabitants of the Americas live and related this scourge to the problem of drugs.

Melgarejo argued: "We will not achieve the much sought-after success in combating drugs and related crimes unless we manage to ensure the economic and social safety of our peoples."

The foreign minister went on to say that in order to do so, both drug-producing and drug-consuming countries must assume co- responsibility in the struggle to eradicate this terrible scourge.

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In concluding, Melgarejo reiterated the Paraguayan Government's commitment to "firmly and relentlessly" combat drug trafficking, "which is a herculean task that must be undertaken within the framework of a global strategy."

Inter-American Affairs: Argentine Official on Falklands

PY0506015396 Buenos Aires TELAM in Spanish 2156 GMT 4 Jun 96

[FBIS Translated Text] Panama, 4 Jun (TELAM) — Argentina renewed today before the [26th] OAS General Assembly — which is being held in Panama — its will to peacefully settle the controversy over the Malvinas [Falkland] Islands in which Argentina and Britain are entangled.

The Argentine delegation, headed by Deputy Foreign Minister Fernando Petrella, confirmed the Menem administration's will to "continue exploring" peaceful solutions to the dispute with Britain over the Malvinas Islands.

Having listened to remarks about the strides the Argentine Government had made in its claim to sovereignty over the South Atlantic islands, Brazil submitted a draft declaration to be approved by the General Assembly in which the OAS decides "to continue examining" the Malvinas Islands issue in its successive General Assemblies.

Diplomatic sources stated that the subject of the Malvinas Islands was mooted here today by the delegates of the countries of the hemisphere who are attending the 26th OAS General Assembly.

The OAS has analyzed the issue of the South Atlantic islands in all its general meetings for more than a decade.

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Cuba

Cuba: 'Overwhelming' OAS Vote Against U.S. Welcomed

PA0506035296 Havana PRENSA LATINA in Spanish 0239 GMT 5 Jun 96

[FBIS Translated Text] Havana, 4 Jun (PL) — Cuba today highlighted the degree of Latin American unity expressed in the OAS resolution against the Helms-Burton law, which seeks to toughen the economic and trade blockade against Cuba.

It was a reaction that underscores the dignity of Latin America and Canada, a country that also vehemently defended the principles, Miguel Alfonso, spokesman for the Cuban Foreign Ministry, said in a news conference in this capital.

The Cuban declaration took place a few hours after the 26th OAS General Assembly approved by an overwhelming majority of 23 [as published] votes in favor and only one (U.S.) against, a resolution that repudiates and questions this law's international legitimacy.

Alfonso stressed that this shows, as Cuba has said, that it is facing a law (the Helms-Burton) directed against the world which the country, he said, is beginning to confront Washington's wishes.

It also means that the current OAS is not the same OAS that suspended Cuba from its membership in 1962, although it is not the organization that we would like, he added.

The Foreign Ministry spokesman said that the degree of U.S. isolationism is obvious, a country that is beginning to learn "the limits of its imperial attitude."

In reply to questions as to a possible reentry of Cuba into the OAS, Alfonso said that one would need to analyze future developments within this regional organization, but that Cuba welcomes steps such as this and appreciates them in a positive sense.

The OAS that we would enter is one that would admit the principle of equality, absolute ideological plurality, and be unconditional to any institutional system, he stressed.

Lastly, Alfonso said that now the true nature of one of the main aspects of U.S. relations with Cuba and the rest of Latin America has been revealed a bit more, as well as Havana's position regarding the much criticized legislation.

Cuba: Visiting Chilean Senators Criticize Helms-Burton Law

PA0506025296 Havana Radio Havana Cuba in Spanish 1300 GMT 1 Jun 96

[From the "Morning Information Review" newscast]

[FBIS Translated Text] The group of Chilean senators who are on an official visit to Cuba, advocated strengthening bilateral ties during a meeting with Jorge Bolanos, Cuban first deputy minister for foreign affairs.

The Chilean parliamentarian group criticized the anti-Cuban Helms-Burton law and described it as unfair and extraterritorial. The delegation comprises legislators from the Socialist Party of Chile, Christian Democratic Party, and Party for Democracy.

On Monday, another Chilean delegation made up of deputies, mayors, and businessmen, will begin an official visit to Cuba. They will be received by Ricardo Alarcon, president of the National Assembly of the People's Government, and by officials from the Ministries of Foreign Trade, Foreign Investment and Economic Cooperation, and Economy and Planning.

Cuba: Roundup of Economic Developments Through 4 Jun

PA0406214196

[FBIS Report] The following is a compilation of reports on economic developments in Cuba monitored through 4 June.

According to an item datelined in Santiago, Chile, Antonio de los Reyes, Cuban vice minister of basic industry, has said that proven reserves of nickel and cobalt in Cuba total 800 million metric tons. He added there are currently three plants with potential capacity of 70,000 metric tons and construction of another plant with a capacity of 30,000 metric tons is about to be completed. The minister pointed out that deposits in northeastern Cuba contain 26 percent of the world's cobalt reserves, which is the second largest after Zaire. (Havana PRENSA LATINA in Spanish 0514 GMT 18 May 96)

Spain's Sol Melia Hotel Chain has six facilities in Cuba; three in Varadero, one in Havana, and two in Holguin. In November, this chain will launch a cruise ship that will sail the Caribbean Sea along Cuba's southern coastline. It will set sail from the Port of Cienfuegos and make stops in Cayo Largo, Grand Cayman, Montego Bay, Santiago de Cuba, and Cayo Caguama. (Havana Radio Havana Cuba in Spanish 0000 GMT 29 May 96)

According to a Sancti Spiritus, 28 May-datelined item, Francisco Luna, president of Havanos, Inc., reported

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today that rolled tobacco (tabaco torcido) exports will yield about $100 million in 1996. He added this is equivalent to about 50 percent of market demand for this product, but sales are limited by low production of tobacco leaves. (Havana PRENSA LATINA in Spanish 0125 GMT 29 May 96)

In preparation for next tobacco harvest in Pinar del Rio, new farmers are being granted the use of land. Currently, 3,600 new farmers, along with relatives and hired workers, are harvesting 583 caballerias. This region has the highest reported yields. A total of 1,266 new farming applications are being processed and 200 were granted already. To achieve the goal of 3,000 caballerias for the next harvest, a total of 6,000 new farmers will be needed come harvest time. (Havana Cubavision Network in Spanish 0000 GMT 29 May 96)

Baracoa is having its best cocoa harvest in years. Farmers recently broke the record for a working day with 542 quintals. Last week's average was 278 quintals, and with what has been harvested so far this month, it is possible to break the average for a 30 day work period established in 1992 of 9,600 quintals. So far the harvest is above 19,000 quintals, over 80 percent of national production goals. For 1996 production could surpass 32,000 quintals, due to favorable weather conditions and Agriculture Ministry support. (Havana Radio Rebelde Network in Spanish 1700 GMT 29 May 96)

According to a Havana 31 May-datelined report, Tobacco Union Director Osvaldo Encarnacion has announced that the tobacco harvest ended with a 25-percent growth, compared to the previous one. He added that the province with the highest production was Pinar del Rio, which accounted for 70 percent of the total harvest, which amounted to 31,818 tons of tobacco, followed by Sancti Spiritus and Villa Clara. (Havana PRENSA LATINA in Spanish 2341 GMT 31 May 96)

Cuba and Mexico signed a new fishing industry scientific-technical cooperation agreement. The agreement gives Cuba the opportunity to use 16 fishing boats in the Gulf of Mexico. One of the main points in the agreement establishes programs to resolve scientific-technical problems in both countries. This agreement consolidates 20 years of bilateral cooperation in the fishing industry, since the first agreement was signed in 1976, which allowed Cuba to fish in the Gulf of Mexico. (Havana Radio Havana Cuba in Spanish 0000 GMT 31 May 96)

The final phase of a campaign of solidarity with Cuba will begin in Vietnam on 1 June to send 20,000 tons of rice to Cuba. Social and mass organizations have collected approximately $2.455 million for that purpose since the fund-raising campaign began in April. This is the third time that Vietnam has sent these donations to Cuba. The previous ones were received in 1994 and 1995. (Havana Radio Havana Cuba in Spanish 0000 GMT 1 Jun 96)

Santiago de Cuba Province plans to build no less than 5,000 houses this year, which will mark a record in the province's construction work. Almost 4,000 houses are now under construction, surpassing the 3,516 built last year. (Havana Radio Havana Cuba in Spanish 0000 GMT 1 Jun 96)

According to a Havana 3 June-datelined report, Cuban Foreign Trade Minister Ricardo Cabrizas has reported that trade between Cuba and Spain in 1995 reached $400 million, which represents a 45-percent increase over 1994. (Mexico City NOTIMEX in Spanish 2345 GMT 3 Jun 96)

The Siboney Cement Factory in Sancti Spiritus was declared the best in the country due to its production during the first quarter of the year. This factory produced more than 41,900 tons of cement during the first quarter of 1996, which reflects an increase in production of 44 percent. (Havana Cubavision Network in Spanish 0000 GMT 30 May 96)

The Ministry of Fisheries has estimated that as a result of measures adopted to increase efficiency, the country's income in this field this year will total $180 million, which will double last year's production. (Havana Radio Rebelde Network in Spanish 1155 GMT 31 May 96)

Haiti

Haiti: Preval Affirms Willingness To Make Economic Reforms

PA0506032996 Port-au-Prince Signal FM Radio in Creole 1130 GMT 4 Jun 96

[From "The 0730 Appointment Newscast"]

[FBIS Translated Text] The Haitian head of state has reconfirmed the government's willingness to make economic reforms and changes in public administration. Preval has said the national budget deficit continues to soar, whereas the government cannot service it. If we continue to finance this deficit with credits from the Central Bank, the value of the gourde will decrease even more, and the cost of living will be higher in the country, stated President Rene Preval who has said the aid of the international community is important for the progress of the country:

[Begin Preval recording, in French] We have an expense budget of 5 billion gourdes and have a yearly income of about 2.5 million gourdes. We have a deficit of

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2.5 billion. If we continue to finance this deficit with credits from the Central Bank, the gourde will keep depreciating and the cost of living will keep soaring. I am talking about operational expenses only. I am not yet talking about the investment expenses.

If we do not have enough operational resources to pay our employees, are we going to spend five years servicing the deficit and be unable to make the necessary investments, particularly in the fields of infrastructure, electricity, telephone, roads, to receive the private investment that will have to generate the jobs necessary for the development of this country? This is what we are discussing with the donors. The donors are banks.

Even if we receive these loans at concessional rates between 0.5 and 2 percent, which is different from the commercial rates of 8, 10, and 12 percent—these concessional rates will not last forever, unfortunately, and will cease soon—the banks, the World Bank, the Inter-American Development Bank, will ask for the repayment of the loans even if there is a 10-year grace period, even if it is only 40 percent of the repayment. [end recording]

This was a statement made by the Haitian head of state, President Rene Preval, at the National Palace the night of 3 June. The head of state reconfirmed the government's willingness to make economic reforms and changes in the public administration in Haiti.

Preval visited several institutions in the country and several sectors of Haiti's national life in the last few weeks with a view to economic reforms in Haiti.

The Haitian head of state this weekend met with various employers associations and members of the Haitian Parliament, the 46th Haitian legislature, and several union members on the issue of reforms in the public administration and conformity in the relations between Parliament and the executive.

Preval met with senators of the Republic on 3 June. The head of the executive allegedly solicited the help of the Senate concerning the measures that must be adopted for Haiti's development. According to a reliable source within Parliament, discussions should be held on the economic reforms, the national budget, and several other issues.

Haiti: Governor of Central Bank Delatour Attacked

PA0506024896 Port-au-Prince Signal FM Radio in Creole 1130 GMT 4 Jun 96

[From "The 0730 Appointment Newscast"]

[FBIS Translated Text] The governor of the Central Bank was attacked by armed individuals. Leslie Delatour was attacked the evening of 2 June by a group of armed punks in the Bourdon area. The punks threatened Delatour and several members of his family who were in a car. They managed to take the jewels of Mrs. Delatour and other important documents, but nobody was injured in this attack.

The governor of the Central Bank, Leslie Delatour, comments:

[Begin Delatour recording] I believe it was not a political attack per se. I believe my wife and I were the victims of a simple crime, just as many people in the country have been victims. Fortunately, there were no wounds, no deaths.

They took my car, my wife's jewels, her handbag, her purse. They took the briefcase, the little attache case which was in my hands and which included all the documents pertaining to the negotiations. I was returning from the Montana Hotel where I held a meeting with the representatives of the World Bank and the IMF.

That attack happened the evening of 2 June at about 0740 in Bourdon, across from the new ice cream shop called Temptation, or something like that. [end recording]

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Mexico: Helms-Burton Law Said To Violate Chapters of NAFTA

PA0406121196 Mexico City LA JORNADA in Spanish 30 May 96 p 49

[Report by Patricia Munoz Rios]

[FBIS Translated Text] A study conducted by Hugo Perezcano, legal adviser of the Commerce and Industrial Development Secretariat, has stated that the U.S. Helms-Burton law violates Chapters 11 and 16 of NAFTA regarding investments and the temporary admission of businessmen into a country.

Perezcano has said the first step the Mexican Government will take to stop the implementation of the Helms-Burton law will be to take the case before NAFTA to resolve the conflict, which would include, if necessary, establishing a tri-national panel to determine what is the right course of action, which of the two parties is correct, and the measures each country must take.

Perezcano has said the legal procedure Mexico will follow will be based largely on the NAFTA agreements.

Perezcano has said Mexico has the support of international measures that regulate trade activities the objective of which is to ensure clear, predictable, rules for investments. One of them is NAFTA, although other examples also could be used, because the Helms-Burton law, due to its extraterritorial characteristics, violates the principles of international law and the rules for investments agreed upon by the two countries and is contrary to the clarity and certainty of NAFTA.

In addition, the Mexican Government could take civil action against the legal mandates for seizing the U.S. assets of Mexican investors, as this law intends to do, because these measures would be the same as expropriation and would violate the dispositions of Article 1105 of NAFTA. This last article states that none of the parties may adopt measures equivalent to expropriation unless they are for the good of the public, are nondiscriminatory, and comply with the principle of legality and pay compensation, Perezcano has said.

The Helms-Burton law also intends to modify the criteria for issuing visas to businessmen, another violation of this chapter.

Perezcano says in his analysis that in many cases U.S. officials are not clear on the interpretation of many of the law's requirements and how to apply them, because the Helms-Burton law is very discretional.

It will be difficult to predict how the law's requirements will be enforced until it is clearly defined and its real impact on Mexican firms is determined.

Nevertheless, even though no solution was found during the first meeting between the three countries, Mexico could request that this conflict be resolved by way of NAFTA Chapter 20, which specifies a means to a solution to the controversies. To do so, Mexico first must present a formal claim before the United States on the application of the Helms-Burton law. The first part of the case is dealt with at a technical level, not at a dispute level. If there is no solution, the case is then dealt with at the dispute level in a free trade commission comprised by the secretaries of commerce of the three countries. If this last stage yields no results, there is a possibility to request that a panel of arbiters be formed and an international tribunal established according to NAFTA rules, Perezcano has said.

Mexico: Zedillo Says Helms-Burton Law 'Unacceptable Abuse'

PA0506044796 Mexico City REFORMA in Spanish 4 Jun 96 p 1

[Received via Internet]

[FBIS Translated Text] President Ernesto Zedillo called the Helms-Burton law "unacceptable abuse" during an interview with an Argentine television channel.

"We have acted through the channels provided by diplomacy and international laws, to state our position and our perception that this represents unacceptable abuse, which affects not only Mexican businessmen, but also businessmen in many other countries," he said.

Zedillo said there is an international consensus regarding the U.S. law and he trusts the decision adopted by the U.S. Congress can be reversed.

"We believe that as long as we persevere with our attitude, the U.S. Government and Congress will understand that they must seek other means, rather than this one, which really affects third parties' interests," he indicated.

Mexico: Commerce on Possible Reprisals Against U.S.

PA0506044096 Mexico City LA JORNADA in Spanish 4 June 96 p 43

[Report by Patricia Munoz]

[FBIS Translated Text] Jaime Zabludovsky, assistant secretary of International Trade Negotiations in the Commerce and Industrial Development Secretariat (Secofi), stated that the governments of Mexico and Canada would adopt "commercial reprisals," based on what is stated in the Free Trade Agreement (FTA), against the Helms-Burton law's implementation.

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Interviewed at the Secofi facilities, the official nevertheless said "the FTA is not threatened" by this conflict; and he denied that Mexico is in a weak position vis-a-vis the United States due to Mexico's financial commitments with that country.

Meanwhile, the National Association of Manufacturers (Canacintra) reported that approximately 200 Mexican enterprises will continue to trade with Cuba despite the Helms-Burton law's implementation.

The organization indicated that most of the enterprises that will continue their negotiations with the island deal with assets and services, basically for the restaurant and hotel industries.

Most of them are small- and medium-sized enterprises, and they cover 75 percent of the trade with Cuba, which totals approximately $600 million a year.

Moreover, the National Foreign Trade Council (Conacex) in Nuevo Leon said yesterday that the U.S. law's implementation does not affect Mexican companies' exports to the Caribbean country.

This is explained by the fact that the law will only sanction investors who own properties on that island, so trade should not be affected.

The assistant secretary said that, in the case of Cemex [Mexican Cement Company] and other national enterprises, the Secofi and the SRE [Foreign Relations Secretariat] have been working with each firm's lawyers since the legislation was announced, to "coordinate the defense" of these enterprises.

Zabludovsky said the decisions adopted by the governments of Mexico and Canada will depend on how the U.S. Government decides to implement the law and, as soon as the U.S. Government adopts actions that violate the FTA, the "agreement has its own mechanisms to request the appointment of a panel to review the case. This will be done without major problems and it might even allow the possibility of adopting commercial reprisals." Lastly, he said that the anger over the Helms-Burton law's implementation not only prevails in Mexico, but also at international level, and every possibility of countering the law is expected.

Mexico: Official Says Spain Must Defend Interests in Cuba

BR0406121596 Madrid EFE in Spanish 0019 GMT 4 Jun 96

[Unattributed report: "Spain Will Delay Extradition Treaty If There Is No Retroactivity"]

[FBIS Translated Excerpt] Mexico, 2 Jun (EFE) — According to Spanish Ambassador Jose Luis Dicenta, Spain will delay the ratification of the new extradition treaty protocol signed with Mexico if the [Mexican] government's interpretation [of the treaty] coincides with that of the [Mexican] attorney general. [passage omitted]

With regard to the Helms-Burton law — which raises the possibility of sanctions on foreign companies in Cuba who deal in [U.S.] property confiscated by the Cuban Government — Dicenta said that Spain and the other EU countries expressed their opposition to the law, which violates the international community's rules.

"It is a measure which, instead of resorting to the rule of law, resorts to the rule of force, which is why we absolutely oppose it and do not believe it is positive," according to the ambassador.

Dicenta said that Spain is working within the EU to find a response to the law and also studying actions for defending Spanish interests in Cuba.

"In Cuba there are very strong Spanish interests, there is a very special link from all points of view [in Cuba] which does not exist with other European countries. Thus, the Spanish Government must defend, as is its obligation, Spanish businessmen's interests and presence in Cuba," he said.

He said that the Spanish companies which have invested in the island, especially in the tourist industry, have not yet received any letter of warning from the United States. He also said that so far no businessman has announced that he will withdraw from the island or cease his activities.

Dicenta declined to make any comments on the measures which the government will take to defend Spanish companies in Cuba if they are affected by the Helms-Burton law.

Mexico: Political Scandals Said To Damage U.S. Relations

PA0306210296 Mexico City REFORMA in Spanish 2 Jun 96 p 1

[By Maribel Gonzalez — received via Internet]

[FBIS Translated Text] Jesus Silva Herzog, Mexican ambassador to the United States, has said that last year's political scandals in Mexico damaged relations with the United States. The diplomat said in an exclusive interview with REFORMA that attributing this merely to the U.S. presidential campaign is an oversimplification. "Many events last year helped generate a more critical view of us: Political scandals have influenced that perception and have further complicated our relations," he

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pointed out. Silva Herzog said that many U.S. politicians felt cheated when that high image of an emerging country and an international model came crashing down. He said that migration remains the most important subject in Mexican-U.S. relations. He indicated that thousands cross the border illegally; thus, recent developments are a small part of the problem. The diplomat also said that the Institutional Revolutionary Party must change its course of action if it does not want to lose ground in future elections.

Mexico: Cemex Withdraws From Cuba Due to Helms-Burton Law

PA0306131696 Mexico City LA JORNADA in Spanish 30 May 96 p 47

[Report by Angelica Enciso, Armando Torres, Emanuel Salazar, and Carlos Camacho]

[FBIS Translated Text] While Cemex [Mexican Cement Company] has practically withdrawn from Cuba, the Monterrey-based company's capital investments in the island reach $800 million in fixed investments in telecommunications and assembly plants, accounting for almost 20,000 jobs.

Cemex Special Projects Director Luis Martinez Arguello said that CEMEX is withdrawing from Cuba because of the pressure exerted by the Helms-Burton law, and because its contract with the National Foreign Trade Bank of Mexico (Bancomext) has expired.

However, Cemex President Lorenzo Zambrano affirmed that "neither the company nor its subsidiaries violate the Helms-Burton law." Cemex has not yet received a letter from the U.S. State Department, but the Domos Group has, which yesterday provoked an official written protest from the Mexican Government.

Meanwhile, French Ambassador to Mexico Bruno Delaye indicated that the Helms-Burton law is "a domestic law that violates international commerce laws." Delaye said that France and Mexico are evaluating the drafting of a joint statement against the law.

Moreover, Commerce and Industrial Development Secretary Herminio Blanco Mendoza said in Durango that Mexico and Canada are studying steps to be taken in NAFTA regarding the Helms-Burton law controversy. "We reserve the right to take any other action that can be taken at the World Trade Organization (WTO) and other forums," Blanco indicated.

Interviewed during the 10th National Forum on Housing, Martinez Arguello said that the withdrawal of Cemex from Cuba will not substantially affect its cement exports, because it can use other plants it has in Latin American countries, such as in Colombia, Venezuela, and Panama.

Martinez Arguello said that Cemex has administrative and technology transference contracts with some plants in Cuba with Bancomext, therefore its situation is different from that of other companies. Martinez Arguello, who is also vice president of Concamin [Confederation of Industrial Associations], said that Cemex also administers some plants on the island, but that these installations were not installations that were confiscated from the United States.

In fact, one of the plants administered by Cemex, called Mariel, was built in 1982, Martinez Arguello said. He explained that Cemex's withdrawal from Cuba was due to the expiration of its contract with Bancomext.

[LA JORNADA] Could the withdrawal also be partly a precaution against the Helms-Burton law?

[Martinez Arguello] Of course it is, it is partly due to pressure from the Helms-Burton law. If the law did not exist we would not have left Cuba.

In addition, Martinez Arguello said that Cemex will not file any legal complaint and that at this moment Cemex has not received any warning letter in regard to its operations in Cuba. "What we have to do is to work to implement the necessary strategies in order to cover our markets with other plants," Martinez Arguello indicated.

Martinez Arguello said that exports were not Cemex's most important business. "Our main concern is how well our business does in the countries in which we are established," he pointed out. Martinez Arguello said that in Mexico business has increased 5 percent compared to the same period last year.

The Domos Group, owned by Javier Garza Calderon, Mauricio Fernandez Garza, and Richardo Tafich, is the only company with fixed investments in strategic areas in Cuba.

Domos received a "warning letter" from the State Department — not an "informative" letter, as it had expected — regarding the measures that the United States will take against the company for its participation in Cuba.

Likewise, the Domos Group said this morning that at this moment, it does not know what actions will be taken as a result of the law, or what the implications are for its affiliate in Cuba.

The Domos Group reported that as a result of the reestablishment of voice and data communications between the United States and Cuba, in November 1994,

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the Citels investment, a Domos affiliate associated with the Italian Stet company, allowed calls between the two countries adding up to approximately 100 million minutes in 1995 alone.

Garza Calderon emphasized that the company's 15,000 workers are hired freely and receive a salary that exceeds the salary they received before the arrival of the Mexican investment.

Business Coordinating Council (CCE) President Hector Larios Santillan revealed that he sent six recommendations to the SRE regarding sanctions against 27 Mexican companies and entities because of the Helms-Burton law. The suggestions include the Mexican Government preventing the violation of international law so that third countries are not affected by the implementation of the law.

Larios Santillan indicated that in a meeting held yesterday by Bancomext's administrative council, the discussion focused on businessmen who have some ties with the Cuban market, or persons who receive some benefits from the so-called assets confiscated by the Cuban Revolution.

Larios Santillan mentioned that the CCE will insist that the law is unconstitutional and affects third and fourth countries "because it has a domino effect, not only severely affecting the country established in Cuba, but also countries that are supplying other companies that have trade relations with Cuba."

The recommendations sent by the CCE to the SRE include mentioning that the Helms-Burton law violates international law, because the issues involved should be settled between the United States and Cuba without affecting other countries whose businessmen are investing in Cuba.

Larios Santillan explained that some companies listed could have problems in the future, and that they will have to analyze if they are included in the Cuban Liberty and Democratic Solidarity Act, also known as the Helms-Burton law.

Larios Santillan explained that according to the law, on 1 August the section regarding the admonishments goes into effect, and as of 1 November, the sanctions will be taken. The effects regarding the visas of some directors of companies participating in the Cuban market are also being evaluated.

Mexico: Authorities Detain 182 Illegals Enroute to U.S.

PA0406010196 Mexico City NOTIMEX in Spanish 0724 GMT 3 Jun 96

[FBIS Translated Text] Mexico City, 3 Jun (NOTIMEX) — The Attorney General's Office [PGR] has reported that at least 182 illegals of different nationalities were detained in the course of several police roundups in the states of Puebla, Chiapas, Nuevo Leon, Veracruz, and Sonora.

The illegals detained yesterday by members of the Federal Judicial Police and the National Institute to Combat Drug Traffic come from El Salvador, Honduras, Guatemala, and PRC.

According to the Mexican police authorities' report, the illegals were found in security houses or trailers abandoned on highways by smugglers of Central American undocumented workers.

The PGR reported that the detained persons were in transit in Mexico and intended to enter U.S. territory illegally.

The illegals were turned over to the Mexican migration authorities to be repatriated to their home countries.

Mexico: EZLN Communique on Resumption of Peace Talks

PA0406141896 Mexico City LA JORNADA in Spanish 3 Jun 96 pp 1, 9

[Communique issued by the Clandestine Indian Revolutionary Committee-General Command, CCRI-CG, of the Zapatist National Liberation Army, EZLN, dated 31 May 1996]

[FBIS Translated Text] To the people of Mexico:

To the peoples and governments of the world:

Brothers:

The CCRI-CG, supreme command of the EZLN, states its position on the current crisis within the dialogue and negotiation process for a just and dignified peace in Chiapas.

First. The situation of social, military, and political deterioration that provoked the crisis in the San Andres talks continues. Military mobilizations continue to increase, the white guards [paramilitary groups] continue to enjoy impunity, and their complicity with the Chiapas authorities is evident. State Police follow instructions from the authorities in Tuxtla Gutierrez to destabilize and render impossible a continuation of the San Andres talks. A persecution campaign against EZLN members

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prevails at the national level and this represents a clear message on the impossibility of a civil and peaceful struggle. The absurd sentence for Messrs. [Javier] Elorriaga and [Sebastian] Entzin is now followed by the sentence for alleged Zapatist Francisco Garcia Santiago, declared guilty of sabotaging a tower of the Federal Electricity Commission by District Judge Daniel Nunez Juarez. Thus, the Judicial Branch continues to obstruct the San Andres talks and becomes the main saboteur of the peace process.

The Federal Government is trying to reduce the Chiapas conflict to a police matter.

Second. Yesterday, 30 May 1996, the EZLN's CCRI-CG analyzed the communique issued by the National Mediation Commission (Conai) on 28 May 1996. The document proposes a series of initiatives intended to solve what seems to be the terminal crisis of the San Andres talks. In reply to the proposals, the EZLN promises to study the initiatives proposed therein.

Third. Regarding the other points in the Conai communique, this CCRI-CG of the EZLN states:

— It accepts the proposal for the EZLN delegation to meet with the Federal Government representatives, originally scheduled for 5 June 1996.

— Once the most sensitive points causing the current crisis in the talks are resolved, the EZLN publicly commits itself to resume contacts with Federal Government representatives, through Conai, to agree on the new conditions to continue the process of dialogue and negotiation.

— The EZLN's CCRI-CG positively replies to Conai's call to restore direct talks with legislators of the Harmony and Peace Commission. (Cocopa).

Fourth. Despite the difficult conditions, to prove our desire to continue on the path of dialogue and in recognition of Cocopa's peace efforts, the EZLN announces it will appoint a CCRI-CG delegation to participate in direct talks with Cocopa legislators. The place and date of the EZLN-Cocopa meeting will be announced in due time through Conai.

Fifth. The EZLN urges the government to abandon its double-faced policy and back its words with actions.

Sixth. The EZLN urges the federal Judicial Branch to cease obstructing the peace process and to stop sabotaging the dialogue between the EZLN and the Federal Government.

Seventh. The EZLN reiterates its call to civilian society not to discontinue its demonstrations and to impose, with the force of reason, the peace that all Mexicans need.

Democracy! Liberty! Justice! From the southeastern mountains of Mexico!

EZLN's CRI-CG

Mexico, May 1996

Mexico: Experts Surveyed on Exchange Rate Policy

96CA0182A Mexico City REFORMA in Spanish 13 May 96 pp 1A, 25A

[Article by Ricardo Galan: "Level of Peso Vis-a-vis Dollar Seen as Appropriate"]

[FBIS Translated Text] The current exchange rate is appropriate, and a devaluation is not anticipated in the short term, experts polled by REFORMA say.

The performance of the foreign-exchange market is endorsed by this group of 50 analysts surveyed in the cities of Monterrey, Guadalajara, and the Federal District.

According to the findings of the poll, 76 percent of them think that the exchange rate of our currency vis-a-vis the U.S. dollar has been appropriate. In contrast, only 20 percent do not feel this way.

The general opinion is that the dollar should be around 7.49 pesos at present and will finish the year at 8.38 pesos.

This would represent a devaluation of 12 percent over the remainder of 1996.

The chief reasons why they feel the exchange rate is appropriate have to do with the unfettered workings of supply and demand and with the strength that it has lent our balance of payments.

The experts do not expect a devaluation, as only 18 percent foresee one in the short run.

These findings shed light on the uncertain foreign-exchange panorama that existed for most of 1995.

The confidence about the current exchange rate is explained by the sense that our currency is undervalued. Most of the respondents, 57 percent, feel that the peso is undervalued by about 12.8 percent in terms of the greenback.

Another positive point in the analysts' view is the favorable trend in Mexico's international reserves.

According to official data, the Bank of Mexico had $15.894 billion in its coffers as of 3 May.

This level of reserves gives the foreign-exchange market a relatively strong capacity to respond to any speculative run on the peso.

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This contrasts with the severe insolvency that the country experienced around the same time last year, when reserves were scant and the short-term debt in Tesobonos (which does not exist today) was enormous.

Devaluation Ruled Out

A poll that REFORMA and EL NORTE conducted among 50 economists, financiers, executives, and consultants in the Federal District, Guadalajara, and Monterrey revealed that 74 percent rule out the possibility of a devaluation in the short term.

Do you feel that the current exchange rate is appropriate?

- Yes, 76 percent
- No, 20 percent
- Not sure, 4 percent

Is there a risk of a devaluation in the short term?

- Yes, 18 percent
- No, 74 percent
- Not sure, 8 percent

Do you feel that the peso is currently undervalued?

- Yes, 57 percent
- No, 40 percent
- Not sure, 3 percent

If you feel that the peso is currently undervalued, then by how much?

- 12.8 percent

What should the exchange rate be at present?

- 7.49 to 1

What do you think it will be at the end of the year?

- 8.38 to 1

Do you think the exchange rate ought to be adjusted?

- Yes, 22 percent
- No, 70 percent
- Not sure, 8 percent

Why do you feel the exchange rate is appropriate?

- It is market determined, 38 percent
- It balances payments/Gradual adjustment/It is undervalued enough, 18 percent
- An exchange-rate band cannot be set, 10 percent
- It makes for international competitiveness, 6 percent
- Other replies, 4 percent

Why do you feel it is inappropriate?

- It creates distrust and uncertainty, 8 percent
- It does not allow for long-range planning, 8 percent
- It is left up to the free market, 2 percent
- No answer, 6 percent

Coordination: Maria Antonia Mancillas. Coding and capture: Guadalupe Rangel. Financial consultant: Cesareo Gamez. Pollsters: Janeth Gonzalez, Dolores Rosales, Lissbeth Garza, Aurora Rodriguez, and Elena Rivera.

Mexico: Musacchio on Zedillo Resignation Rumors

96CA0188A Mexico City REFORMA in Spanish 21 May 96 p 9A

[Commentary by Humberto Musacchio, journalist, cofounder of the Mexico City newspapers UNOMASUNO and LA JORNADA, encyclopedist, and congressional candidate in 1991 for the Socialist Electoral Front: "The Resignation"]

[FBIS Translated Text] Like a black cloud, the rumor of the president's resignation has been hovering for months over political breakfast tables, many government officials' desks, parliamentary groups, business circles, and even diplomatic salons, where the discussion is no longer about the possibility of the event, but about the most suitable date.

This is not the first time there has been talk about the resignation of President Ernesto Zedillo, but now the issue has gathered strength because 18 months after he took office, almost a year and a half from the "mistakes of December," things are not getting better, though they have gone from worse to simply bad. Still, not all of the red ink can be blamed on the present administration, as a good part of the problems were inherited from the Salinas presidency.

Without any doubt, deep dissatisfaction has spread throughout the nation. No firm control, no clear leadership and ability to awaken hope and convert it into constructive effort can be discerned. The economy remains in its worst crisis since the great depression of 1929-33. In the streets not only are there millions of unemployed and underemployed, but there are also legions of debtors who run the risk of losing the company they built with the efforts of an entire lifetime, the lands that their parents and grandparents worked, the car which they laboriously paid off over time, the

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apartment or the house where they had hoped to find a safe haven for the rest of their days. These are not, as government propaganda would have it, a minority of irresponsible people who got into debt without considering their ability to repay their loans. Not at all. These are productive Mexican citizens who calculated their present and future earnings to repay the loans they had taken out, but who could not foresee that governmental ineptitude might one fine day devaluate the peso and make interest rates soar to delirious heights. And this is a government that now demands that we all pitch in to pay for its mistakes, the mistakes of December as well as the earlier mistakes.

Displeasure with the Zedillo presidency is expressed everywhere. The economic disaster is the major cause, but not the only one. The current president took office at a time when institutions, social relations, authoritarian habits, consensus formulas, and rites of power were no longer working to maintain order. Public education, which traditionally served as a route for upward social mobility, today offers catastrophic prospects. In Chiapas the latent war may break out again if the government is unable to provide a solution by civilized means. The cities and the streets have been taken over by crime, as young people face no future other than unemployment, prostitution, or crime. The population's needs have grown, but spending on welfare has declined and the social safety net institutions are in a state of collapse, like Infonavit [Institute of the National Fund for Workers Housing], which is not even able to pay what it owes to every worker. The present electoral situation is so unsatisfactory that even its beneficiaries, PRI [Institutional Revolutionary Party] members, agree that change is needed. To top it off, the system bars access to new political forces which, if they can find no legal channels, may be inclined to turn to violent methods. The ties with unions, business groups, or churches, which in the past were strong and structured, have become inoperative.

Where it should have allies, the government finds only critics, overt or hidden enemies who are struggling to expand their own sphere of power. The party in office finds itself on the verge of splitting into factions, which will happen if its cadres find better avenues for their participation. With merely rhetorical support and even lacking such support, the president's six-year term seems mired in confusion, plunging the citizens into uncertainty. Even the capacity of political office to transform people seems to have failed, as the state machinery does not appear to have adequate leadership.

Amidst rumors and intrigues, genuine concern does at least prevail that the constitutional order not be disrupted. A coup d'etat is not desired, but rather a resolution for the problem without putting aside the rule of law. For that reason, history is being perused in search of similar cases, but aside from the resignation of Pascual Ortiz Rubio, there are no applicable examples. For instance, a congress with a centralist majority did declare Vicente Guerrero unfit to govern, but before that a number of uprisings had taken place which had forced him to leave the capital to put down these revolts, and he was then caught in a trap which led to his death. Sebastian Lerdo de Tejada also produced unhappiness but he was overthrown by a coup, as was Francisco I. Madero, who was the very apostle of democracy and everything desirable, but was a dismal failure as president, as he was unable to respond to revolutionary expectations and was betrayed by the forces of the past whom he refused to get rid of.

Ortiz Rubio was unable to govern because behind him stood the man who truly held power. While Carlos Salinas still does have connections, loyalties, political resources, and money, he is not exactly Calles reborn. He lacks stature and vision, though he certainly has enough ambition. If desired, using all of the power of the state, he could be tried and imprisoned for the devastation he has wrought upon the nation. The problem is that there is insufficient determination to bring him to justice and to place the national interest in the forefront. So it is not Salinas who could precipitate his successor's eventual resignation.

What is being said—once whispered and now spoken out loud—is that for the people with power in the system a resignation before 1 December is not suitable. In such a case, Congress would have to appoint an interim president who would be obliged to call an election for a president to complete this term. If Congress is not in session, the Permanent Commission would appoint a provisional president until the full Congress elects an interim president and calls an election.

If the resignation happens "during the last four years of the respective term," which in our hypothetical case is after 1 December 1996, Congress must appoint the president's replacement who will govern until 1 December of the year 2000. In this case, say the pundits, the process can be more easily controlled and those with power vested in the system, the beneficiaries of the present political regime, will be able to emerge in a better position, as an orderly transition could be successfully attempted. That is the legal aspect.

The fact is that it is the resignation of the president, either voluntary or negotiated, that is being discussed. This is extremely serious. If no such intention exists and there are no grounds for talking of resignation, the appropriate state organs have an obligation to issue all

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the necessary clarifications, for no matter how ethereal they may seem, rumors do influence decisions on investments and other projects. Rumors can no longer be dismissed so easily, especially after many of us heard in 1993 of a guerrilla group that was operating in Chiapas, and no one believed those rumors, until on 1 January 1994 the reality made itself clear. In a similar way, after the emergence of Luis Donaldo Colosio, there was talk that he would be weakened, would be forced to resign, or as actually happened, that he would be killed. It now seems time to take those rumors seriously.

Mexico: 'War Threat' Seen in Troop, Police Moves

96CA0198A Mexico City LA JORNADA in Spanish 30 May 96 p 1

[Article by Elio Henriquez — received via Internet]

[FBIS Translated Text] San Cristobal de las Casas, Chiapas, 29 May—The CCRI [Clandestine Indian Revolutionary Committee] of the Chiapas Highlands has reported heightened tensions in the area, as "the mobilizations of soldiers and of state and federal police have been increased." This is tantamount to a "threat of war." The CCRI reiterated that "the conditions are not right for returning to the negotiating table," and said that it cannot return to the peace talks in an atmosphere of pressures, conditions, and threats.

In a statement addressed to Conai [National Mediation Commission] and Cocopa [Commission for Harmony and Pacification], the CCRI of the highlands asked these organizations "to tell the government not to continue to stir up more problems, for the presence of more troops, Public Security police, judicial police, and aerial surveillance will only create more problems with provocations and war threats."

The CCRI statement adds: "Their pressures or war threats do not frighten us; we only want them to speak to us truthfully and to express the government's intentions through real actions. If the government wants to continue the dialogue, let them show us their intentions first by their actions."

In the document signed by Comandantes David, Javier, Geronimo, and one other person—Comandante David is the coordinator of the Zapatist delegation at the peace talks—the CCRI spoke of the conflict between the PRI [Institutional Revolutionary Party] and the PRD [Party of the Democratic Revolution] in San Andres Larrainzar. "They want to impose a PRI mayor by force, disregarding the fact that the municipality has had a mayor chosen by the majority of the people since 1 July."

The statement noted that the people of San Andres, along with other municipalities, "as long as it is possible, will defend the municipal headquarters peacefully, as this is the permanent site for the talks between the EZLN [Zapatist National Liberation Army] and the federal government."

The CCRI accused the government and PRI of inciting "more provocations and confrontations." It said that this morning hundreds of PRI supporters, along with some government officials, came to the headquarters to take back the mayor's office or other offices the CCRI had been occupying. It is obvious that "they are not interested in peace, but instead in fomenting war and confrontations among the people."

The CCRI also insisted that the people of San Andres "will protect the mayor and the municipal authorities who were chosen by the majority of the people," and said that "the government's provocations and threats against us, through PRI members, are excessive; we have done everything we could to avoid these clashes."

The CCRI also charged that in the community of Los Platanos in El Bosque municipality, PRI members, who, says the CCRI, have been given high-powered weapons, have issued death threats against families who are EZLN sympathizers.

"All these PRI and government actions and plans constitute a clear provocation and a war threat. This is a way of putting pressure on us to get us to return to the negotiating table, even though the conditions are not right for such a return," stated the CCRI.

The CCRI said that the Zapatistas have clearly stated that the conditions will not exist "for us to sit down at the conference table until the government has given us a clear sign of its intentions. We are not going to be deceived when the government talks of its greater willingness to continue the talks, while at the same time it is getting ready for war."

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El Salvador

El Salvador: President Gives State of Nation Address

PA0206174696 San Salvador Radio and Television Networks in Spanish 1628 GMT 1 Jun 96

[President Armando Calderon Sol address to the nation at the National Assembly building in San Salvador — live]

[FBIS Translated Text] President of the Legislative Assembly; deputies; president of the Honorable Supreme Court of Justice and justices; Vice President; Your Excellencies the ambassadors and chiefs of diplomatic missions accredited to El Salvador; members of the government's cabinet; vice president of the Central American Parliament and deputies; Municipal Mayor of San Salvador; governors and municipal mayors from throughout the country; Most Reverend Monsignor Fernando Saenz, archbishop of San Salvador and Monsignor Rosa Chavez, auxiliary bishop; representatives of international organizations; representatives of the various political parties; ladies and gentlemen, Salvadoran people:

I have come to this legislative forum to present a summary of the country's situation and our plans for the future. It is up to the ministers to present a detailed report of the activities carried out by the various government organizations during the period from 1 June 1995 to 31 May 1996, as the Constitution establishes.

It is for me a great honor to be in this house, where pluralist and representative democracy acquires its optimal expression because democracy means, basically, showing respect and listening to both friends and foes. I believe in the constitutional democracy we began building in 1982, in the midst of much danger and threats, on the basis of humanist and republican principles that embody the genuine aspirations of the Salvadoran people.

On the anniversary of the second year of my presidential term, I believe it necessary to refer to our country's current situation. We are living through the transition period from war to peace. This period is characterized by adjustments in the political, economic, and social fields. This is a time for adjustments in all aspects of the national life and this, inevitably, generates maladjustment and produces negative effects on the population.

We know that the macroeconomic situation remains strong and healthy, but we also know that in recent months the rhythm of the economy has slowed and although we are far from economic recession, it cannot be denied that the cost of living is a source of grave concern for the government and for the various sectors of society.

We know that the social problems we are facing now come from the past and became more acute because of the conflict in the world economy. These are valid arguments and we have done much to overcome these problems, but as president of all the Salvadorans, I cannot rest knowing the problems that housewives and low-income workers are enduring and knowing the difficulties being suffered by brothers who do not have job opportunities.

I want to tell all the Salvadoran people that in view of this situation, we have decided to implement actions that I will be announcing in this address. These actions are an immediate answer in favor of our brothers who do not have a job, a decent roof, drinking water, or schools for their children.

Fellow countrymen: These are new times. We are living through a historic era. We are witnessing, and participating in the birth of a new nation. This birth brings the opportunities that always accompany a new life and a better future.

I know that this transition is difficult for some, but I also know that our people want to enter the new world without fear.

I will now summarize political events that have taken place since the beginning of my constitutional mandate.

The consolidation of peace occupies and will continue to occupy our government's top consideration. Certain events give evidence to our unbreakable political will to fulfill the peace agreements. This involves a costly and complex task that pertains not only to the government, but also to all the political community and to all citizens in general.

The support and maintenance of democratic institutions created as a result of the agreements, and the reinsertion program for persons released from the Armed Forces, the National Police, and the former FMLN [Farabundo Marti National Liberation Front] fighters, have received priority attention from the government. The large budget allocated to that end mirrors this attention. We must not forget that full compliance with the peace agreements will cost more than 21 billion colones.

The purge and modernization of the electoral system is a result of the efficient work carried out by the Electoral Commission when it drafted the new electoral bill. This bill has been presented to the Legislative Assembly for its analysis and approval.

We have made progress in improving the legal institutions that are the basis of our legal state. We believe

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that in the same way there cannot be peace without democracy, there cannot be social coexistence without a prompt and fair administration of justice.

Justice is not solely a responsibility of the executive branch, but we have contributed to create new interinstitutional mechanisms so that the national justice system may be more efficient.

Common and organized crime continue to be one of the most serious problems of the population. In compliance with our commitment and heeding a generalized demand from the citizens, we have taken measures to strengthen the National Academy of Public Security and the National Civilian Police [PNC].

Until May of this year, the Academy has given basic training to 10,589 agents and has trained 207 executive and higher officers.

Regarding the PNC, we are pleased to report that in spite of time and resource limitations, we have made notable progress. There is a PNC presence in the country's 14 departments to more effectively fight all kind of crime. As a result, many criminal bands that had been operating in various parts of the country have been broken.

Specialized PNC units have obtained good results in the struggle against drug-trafficking, contraband, vehicle theft, and other criminal activities.

To maintain the PNC's good-behavior norms, we have presented to this honorable assembly a bill to create a police career track to permit more professional training for PNC personnel.

Another important step taken in the field of public security was the installation of the National Public Security Council, composed of people with a reputation for being honorable and capable. Another step was the appointment of the PNC's inspector general, who enjoys the support and trust of the majority of the sectors.

In view of the people's clamor over the escalation of crime in our country, and as an immediate reaction to the population's just demand, the Presidency of the Republic called for a consultation with the presidents of the other government branches and high officials of public institutions that have to do with the administration of justice. As a result of this consultation, we drafted a Temporary Emergency Plan Against Organized Crime, which was discussed and approved by this honorable Legislative Assembly. This law has made it possible to have the people accept the police's action more readily.

In the economic field, in particular agriculture, we wish to mention that we have worked directly with this sector to promote agricultural, forest, fishing, and agroindustrial activities to guarantee a food supply and help our peasants and fishermen. We made a commitment in the electoral campaign, made it part of the government platform, and now we have fulfilled it. For the first time in the country's history, we have Agrocambio, a national strategic plan, which is the framework for integrated policies, to be applied on short-, medium-, and long-term bases to develop and reappraise the rural sector consistent with new world trade rules.

All of this will result in more and better jobs in the country and better food products for the people. We also made a commitment to consider the farmers' debts and solve this problem that curtailed the sector's progress and halted the country's general development. Honoring our word, we wrote off 100 percent of the debts of 70,000 peasants. This is to say, for those who have no voice, namely the poor farmers who with their work and effort and unbreakable spirit of good Salvadorans, that they continue to help the country progress.

In addition, we must point out that, due to the need to create special financing programs for small enterprises, 21,500 of the more than 24,000 loans approved by the Multisector Investment Bank were for small enterprises. This is four times last year's figure. This is another sign that we are working for the lesser, to stimulate this important and hard-working sector of mini- and small-scale enterprises.

Consistent with our commitment, we are establishing a strategy to modernize the public sector. The main objective of this modernization is to simplify the legal procedures for the private sector to lower operational costs and make it easier for enterprises to be inserted into the globalization process. The modernization process seeks to optimize the public finances and their transparent management through the implementation of the new organic law of the integrated financial administration and the development of new budget and control systems and procedures.

Regarding the human resources administration, modernization will help professionalize public servants by establishing a true administrative career system, which can promote development and create the conditions for hiring and retirement with equity and justice. Decentralization will expedite the local government's power to handle procedures so these governments can assume a greater responsibility in coordinating and guiding local development.

In the social area, we are pleased to report that, during this term, we have attained important objectives, which have translated into a higher quality of life for the population. The essential link between the economic policy and the social policy consists of investment in human

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resources. This investment will make it possible to improve their capabilities, knowledge, and productivity, and this in turn will improve their opportunities and the possibility of El Salvador being incorporated into the world economy.

Social development has been and will continue to be our top commitment. With this objective in mind, this year we have increased last year's public spending in the health and education sectors by approximately 1.5 billion colones. Convinced that education is the cornerstone of the fight against poverty and sustained development, this year the government has increased its budget by more than 23 percent, as compared to 1995. This is something that had never been done before in national history. It has also combined efforts and resources to promote the educational reform's four targets: Scope, quality, institutional modernization, and the shaping of human, ethical, and civic values.

The first educational achievement has been the 8-percent increase in the number of students registered nationwide, as compared to last year, followed by the extension and improvement of school infrastructure through the construction, refurbishing, and maintenance of more than 3,000 classrooms that are mainly located in rural areas. Approximately 1,500 classrooms were equipped with school and administrative furniture, and we will keep equipping all public schools because we cannot allow our students to lack desks and go to classes under deplorable conditions. [applause]

In order to turn traditional schools into centers promoting the communities' overall development, the government created the Healthy School Program, [applause] which constitutes one of the major social achievements we have made, because this program, in addition to teaching, offers children food, medical and dental treatment, as well as school supplies. The Healthy School Program has allowed the government to integrate a social development strategy, in which the leadership of the National Family Secretariat [Secretaria Nacional de la Familia] has been a determining factor to coordinate efforts and resources from the health, education, and public ministries, as well as from the Social Investment Fund, the National Reconstruction Secretariat, and ANDA [National Administration of Waterworks and Sewers]. To this we must add the support and efforts of educational communities, which have benefited from the implementation of the Healthy School Program that aids more than 230,000 boys and girls from 130 municipalities. Before my presidential term is over, the program will cover 600,000 school-aged children throughout the nation. [applause]

Recognizing that sports are one of the most effective means to promote mental and physical health, our government has invested more than 50 million colones into various kinds of sports, thus contributing to improving athletic performance in national and international competitions. We renew our willingness to keep supporting all kinds of sports, especially for the younger generation to form healthy habits that will promote their overall development.

Another significant part of the social development plan stems from the commitment we made two years ago to especially protect women. On 8 March 1996, on International Women's Day, we opened the Salvadoran Institute for Women's Development [Instituto Salvadoreno para el Desarrollo de la Mujer], one of the basic objectives of which is to implement the national policies on women, promote their overall development, and bring about equal opportunities for men and women. [applause]

Health is another one of our priorities, because a healthy population can study and work for the national development. That is why we are investing the largest budget allotments ever to meet the needs of preventive health and improve the environmental conditions for the people and the health services.

The Salvadoran Institute of Social Security, as part of the national health system, continues to advance in its institutional modernization process, with the purpose of expanding its coverage and improving the quality of services it offers to those insured and their beneficiaries. The number of insured persons and their beneficiaries exceeds 921,000 people.

The supply of potable water is a basic factor for the health and life of the population. Consequently, the National Administration of Waterworks and Sewers, ANDA, has installed water lines and sewer systems for more than 26,000 new customers. In this area, there is still much to be done to meet the needs of urban and rural communities. But I ask those of us who have this service to express our solidarity with the thousands of Salvadorans who still don't have it.

Regarding local development and reconstruction, the National Reconstruction Secretariat invested 700 million colons, benefiting more than one million people. In the Municipalities in Action Program, 1,300 works of basic economic infrastructure were carried out in different municipalities of the country, with the direct participation of local governments and communities in open town councils.

In addition, the Social Investment Fund assisted more than 460,000 Salvadorans living in poverty, through ed-

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ucation, health, potable water, electrification, environmental, and other projects for more than 287 million colons. Meanwhile, the Ministry of Public Works has contributed to the economic development of the country by improving and expanding our road infrastructure, which was in a poor and run-down condition because of the conflict. Among the projects carried out were the renovation of urban roads and the construction of bridges in strategic passageways. Before the end of this year, we will begin the construction of the two large bridges over Rio Lempa, particularly benefiting the eastern part of the country. [applause]

The Deputy Housing and Urban Development Minister's Office, through its Municipal Land Parcel Program, has provided homes for 4,500 low-income families. Meanwhile, the National Peoples Housing Fund has granted credits amounting to 81 million colons to 10,610 low-income families for the construction, renovation, and enlargement of housing units. [applause]

With regard to the construction of homes, the Social Fund for Housing has granted 8,363 mortgage credits exceeding 500 million colons. In the area of labor, the Ministry of Labor and Social Welfare carried out a process to review the pertinent legislation, which was unanimously approved by this Assembly.

As part of the modernization process, the Ministry of Foreign Relations has redefined the Salvadoran foreign policy, placing it at the service of national development. With this new vision, the Foreign Ministry is also promoting important changes in its organizational structure and in the foreign service. This is being done to improve the country's image before the international community, to protect our fellow citizens abroad, to continue to receive foreign cooperation, and to encourage tourism, exports, and investments in the country.

The Armed Forces, as a permanent institution serving the nation and in its compliance with the Constitution, is determined to strengthen and improve its personnel for the better fulfillment of its institutional responsibilities. In addition to carrying out its fundamental duties, the Armed Forces has done an important job supporting the different government institutions, providing personnel and logistical resources for social works, as well as supporting the National Civilian Police [PNC]. [applause]

With regard to the economic situation, positive signs can be seen everywhere. These signs confirm that we have achieved stability and we are on the right track. The inflation rate is going down; our international reserves are growing; and the colon is already a strong currency. Our economy dominates in the region. In spite of the 40-percent drop in coffee prices and the economic slowdown in Central America, in El Salvador, total exports rose by 12.5 percent during the last year, and our maquila [assembly plant sector] exports have increased by 80 percent in only two years.

The road ahead is not an easy one, but it will be a successful one. The world is looking upon our country with admiration. The World Bank has chosen El Salvador as one of the four most attractive economies for investment on the planet. The Inter-American Development Bank, IDB, has also praised the accomplishments of the Salvadoran economy. We have never received such recognition. I want to say that this is not a recognition for a government, but for the accomplishments of our people.

I tell all Salvadorans: I am proud of you and of what you have accomplished. You are the first generation in the history of our country who can say that, thanks to hard work and faith in God, your children will one day live in a better El Salvador. [applause]

In order to strengthen the economy and maintain high growth rates, which will pave the way for development and improve the standard of living for the population, we have listened and heard opinions from professionals and different sectors. These opinions have been important in structuring the following actions:

1. The implementation in the very short term of a public investment program of over 1 billion colons in infrastructure and in the social sector. This will be done to lay better foundations for the national development and the promotion of other production activities, thereby increasing the rate of economic growth and social progress of the country.

2. We will delay the elimination of tariffs on consumption goods, so as to allow more time to national companies so that they can modernize and enter the globalization process with the capacity to compete. The tariff applied on capital goods and inputs will be reduced to a zero rate by December of this year. [applause]

3. We will maintain the 6-percent reimbursement for the export of nontraditional products.

4. The importation of capital goods that are used to produce other goods will be exempt from the value-added tax (VAT) payment, for customers registered with the Ministry of Finance. This, together with the elimination of tariffs, will facilitate the reconversion of national production. [applause]

5. An accelerated depreciation of physical assets of corporations and the elimination of the tax on capital gains, as additional mechanisms to promote investments and generate new jobs. [applause]

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6. We will increase lines of credit to support and stimulate micro and small businesses.

7. The implementation of the Comprehensive Agricultural Reactivation Plan, the main points of which are: Juridical security in land ownership, timely credits and preference for farming activities, supply of technology and market information, as well as improvements in the preservation of basic grains for distribution that will guarantee food security, with adequate prices for producers and consumers. [applause]

8. The implementation of the National Competitiveness Program to expedite the modernization of our enterprises for the benefit of consumers. This will be done to make the "Made in El Salvador" seal synonymous with excellent quality. [applause]

9. The intense promotion of the country overseas as a place of great opportunity for investment, thanks to the productivity and quality of Salvadoran workers, and as a destination for tourism and a producer of excellent goods and services.

10. The promotion of an adequate liquidity in the financial system to increase credits for production and continue to facilitate the process to reduce interest rates, commissions, and collection of banking fees. [applause]

11. The acceleration of the process to modernize the pension system, so as to ensure workers a dignified retirement and generate more savings to finance long-term investments. These investments sustain economic development and increase the standard of living for all Salvadorans. [applause]

12. The use of the proceeds from the privatization of state-owned companies for infrastructure and social projects, which facilitates sustainable development while generating new jobs and benefiting the poor. [applause]

Salvadorans, we are facing the challenge and privilege to become the builders of a new El Salvador, which emerged from the ashes of the war with new vitality, new determination, and new energy. The world now admires us and respects us, for having the courage to overcome the war among brothers and attain peace through civilized means. [applause]

That is a credit to us all, because all Salvadorans have built and will benefit from peace, as well as from the institutionalization of democracy. We are all, under the white and blue colors of our national flag, the players of an event that applauds the history of our country, placing it — with a renovated profile — in the group of nations.

Let us not make the mistake to feel absolutely satisfied with the accomplishments made. This would mean closing the doors to the future. Like Salvadoran thinker and professor Camilo Campos said: Stopping now would be becoming stagnant, and becoming stagnant would be dying alive. There is a challenge ahead of us, which we cannot and must not avoid because the future of our children and future generations are in our hands.

Thousands of fellow citizens, although they love peace and identify themselves with democracy, still do not have jobs and are living in poverty. And despite the great efforts we have made, many children also require more schools and better health services to prepare themselves and to become, tomorrow, useful citizens to the fatherland, and we will not fail them. [applause]

My fellow Salvadorans, at the beginning of my third year in office, I wish to urge all sectors of Salvadoran society to work together to achieve the great objectives of the nation. Today, I invite each of you to join our efforts, without delay, to design a national long-term strategy that will lead us to develop a joint vision, so that we enter the third century after the founding of our fatherland...[applause] so that we enter the third century after the founding of our fatherland, having overcome the vicious cycle of poverty and joining the group of developed countries of the world.

Salvadorans who are listening inside and outside of the country, now more than ever our fatherland needs the orientation of objective journalism, the effort and sacrifice of political, business, and labor leaders, professionals, religious leaders, farmers, peasants, soldiers, and all active sectors of the nation. Together, we must renovate the commitment to consolidate peace and democracy and to continue to build a country of opportunity for all. May God lead and enlighten our steps so that we can continue to build this new El Salvador, for the benefit of present and future generations. Many thanks. [applause]

Guatemala

Guatemala: Helms-Burton Law 'Interferes' With Sovereignty

PA0406225196 Guatemala City LA REPUBLICA in Spanish 31 May 96 p 6

[FBIS Translated Text] Guatemalan President Alvaro Arzu yesterday rejected the U.S. law known as the Helms-Burton law, saying it interferes with the sovereignty and free determination of countries.

Arzu said in statements to journalists: "We cannot allow this law to interfere with the sovereignty and internal

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laws of each one (of the countries) and with the free determination of peoples."

"All the other presidents of Central America and several European countries have concurred" in their rejection of the law, which intensifies the trade embargo the United States has imposed on Cuba for the past three decades.

The controversial initiative, identified by the last names of the two congressmen who have drafted it to penalize countries that maintain trade contacts with Cuba, has met growing resistance in the world.

The U.S. Government has started sending warnings to businessmen of Canada, Italy, and Mexico about the sanctions they would be facing in accordance with this law if they maintain business relations with that Caribbean island country.

Arzu said he has no information on the effects of that law both in Cuba as well as in the rest of the countries.

"There is no reason to make a great fuss about this matter," the president said after confirming that Guatemala will continue to take steps for the reciprocal installation of interest offices in Guatemala City and Havana "exactly like the one the United States maintains in Cuba."

The installation of missions to supervise the common interests of Guatemala City and Havana "is something people have been talking about since the day relations were broken," Arzu said in reference to the Latin American decision to break ties with Cuba in 1960.

Mexico refrained from going along with the region's decision at the time, while Nicaragua restored relations with Cuba following the installation in that Central American country of the revolutionary government (1979-1990) of the Sandinist National Liberation Front (FSLN), which is now the opposition.

Cuba and Guatemala have asked third nations to assume the responsibility of taking care of their common affairs, Arzu said.

The Swiss Embassy in Havana began taking care of Guatemala's interests in Cuba, and the Brazilian Embassy in Guatemala began taking care of Cuba's interests in the Central American country.

Meanwhile, the Guatemalan Foreign Ministry stated yesterday "that the possibility is being considered to implement a usual practice in international law; that is, to accredit officials assigned to the mission of a third country."

Panama

Panama: Minister Says Trade With Cuba To Continue

PA0406173096 Panama City LA ESTRELLA DE PANAMA in Spanish 4 Jun 96 p A1

[Report by Esteban Huertas G.]

[FBIS Translated Text] Panama will maintain its trade with Cuba, despite the Helms-Burton law that the U.S. Congress has approved to harden the sanctions against Fidel Castro's government.

Trade between the two Latin American nations amounts to more than $100 million. Particularly outstanding is the large commercial activity in the Colon Free Zone, which has been recently affected by the implementation of the Law on the Generalization of Tax Incentives.

Commerce and Industries Minister Nitzia de Villarreal has disclosed that Panama's trade with Cuba is "normal."

She underscored, however, that the Panamanian Government understands that this involves investments in Cuba it has already been established and within this framework, work is being done with Cubans. [sentence as published]

She stated that Panama's position is to freely engage in international trade with any country, adding that this matter pertains to our international relations.

If, however, there is any misinterpretation, it will be left blank to avoid any misunderstanding and otherwise, the Panamanian Foreign Relations Ministry would have to take action in the event that the United States proposed to take measures against this country. [sentence as published]

Meanwhile, EU Vice President Manuel Marin stated that the EU disagrees with the Helms-Burton law, which maintains economic sanctions against Cuba.

Marin, who is a Spanish national, underscored that the EU maintains a clear cut position against this U.S. law.

In his opinion, the European nations can accept neither this law's principle of extraterritoriality nor the fact that the U.S. Congress would sanction foreign companies, including those from Europe.

The EU vice president said: The policy that the United States has established is illegal.

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Panama: Canal Administrator Nominee on Confirmation Steps

PA0506013596 Panama City Circuito RPC Television in Spanish 2300 GMT 4 Jun 96

[Report by Hugo Enrique Famania from the "RPC Television News" newscast]

[FBIS Translated Text] Alberto Aleman Zubieta is pleased and waiting for a decision from the U.S. Senate. His nomination for the post of Panama Canal administrator has passed from the U.S. executive branch to the legislative branch.

Aleman Zubieta trusts nothing will obstruct his confirmation. He is only one step away from becoming the next administrator of the Panama Canal. No longer is he the nominee of President Ernesto Perez Balladares alone, but now he is also the nominee of U.S. President Bill Clinton who has remitted his name to the U.S. Senate for confirmation:

[Begin recording] [Aleman Zubieta] This is part of the process for the appointment of the Panama Canal administrator. We are pleased this process is moving along as it is and expect Senate confirmation shortly.

[Famania] There was a federal investigation before President Clinton adopted his decision. Do you know the results of that investigation?

[Aleman Zubieta] This was part of the process. After all the investigations were made, the president acknowledged the nomination with pleasure and sent it to the Senate with the intention of appointing me Panama Canal administrator.

[Famania] Will you have to go to the United States again?

[Aleman Zubieta] It is possible I will have to go to the Senate either for an interview or to be sworn in.

[Famania] How long will the process at the Senate take?

[Aleman Zubieta] That I do not know; that is an autonomous decision of the Senate, to review the information and take whatever time it deems necessary before informing President Clinton of its decision.

[Famania] Could something obstruct Senate confirmation of your nomination?

[Aleman Zubieta] Let us hope not. [end recording]

If Aleman Zubieta receives U.S. Senate confirmation, he would succeed Gilberto Guardia, who has resigned from the post for personal reasons.

Panama: U.S. Said To Want To Monopolize Canal After 2000

PA0306201396 Panama City LA PRENSA in Spanish 2 Jun 96 p 5A

[By Hermes Sucre Serrano]

[FBIS Translated Text] Julio Yao, professor of international law at the University of Panama, has said that the Panama Canal Authority [ACP] will be structured and managed financially and economically according to U.S. Government-approved laws. Yao has said that the United States will insist on maintaining its monopoly over the interoceanic pathway (obtained through Article 5 of the Hay-Buneau Varilla treaty and lost through the 1977 Torrijos-Carter treaties) after the year 2000. "They will find favorable circumstances to recover this monopoly," he added. The ACP will be in charge of managing the waterway when it reverts in full to Panamanian hands on 31 December 1999. The ACP bill has still not been subject to national debate. Yao said during the 1994 Legislative Assembly debates on the Constitutional Title that several Panamanians could be charged with treason to the fatherland for knowingly subjecting the Republic of Panama to the dictates of a foreign power. Regarding the Panama 2000 meeting held in Coronado last week, the international law expert admitted that it was a good try but that it lacked debate and representation.

Panama: No Official Comment on Alleged Foreign Pressures

PA0506031996 Panama City EL PANAMA AMERICA in Spanish 3 Jun 96 p 3A

[Report by Arnulfo Barroso Watson]

[FBIS Translated Text] Acting Foreign Minister Ricardo Arias declined to give an opinion on alleged U.S. pressures against Panama on the topic of military bases by international publications that link the Panamanian Government with money laundering.

Arias described as "irresponsible" the article published by the British magazine THE ECONOMIST reporting the possibility that the PRD [Democratic Revolutionary Party] had used money from drug-trafficking sources to finance its 1994 campaign.

"I was surprised to see this article in such a very serious magazine and by the way it seeks to make an accusation in the form of a question, as if to keep clear of any responsibility. This seems irresponsible to me," Arias said.

Labor Minister Mitchell Doens, who is deputy secretary of the PRD, said recently that the article in "The

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Economist" had been "planted" and that it coincides with talks on the permanence of the U.S. military beyond the year 2000.

On another topic, Arias says that the Helms-Burton law, which seeks to toughen the trade embargo on Cuba, "violates agreements and international law."

Panama: Attorney General Issues Communique on Amnesty Bill

PA0306135096 Panama City Circuito RPC Television in Spanish 2300 GMT 31 May 96

[From the "RPC Television News" newscast]

[FBIS Translated Text] Panamanian Attorney General Jose Antonio Sossa issued a communique this afternoon, underscoring that if the Legislative Assembly insists on passing the amnesty bill, it would be disrupting to Constitutional order and would promote a damaging confrontation among government branches, and that would undoubtedly be a flagrant crime.

Article 153, paragraph 6, of the National Constitution stipulates that the Legislative Assembly can only give amnesty for political crimes because the responsibility for handling common crimes lies with other government branches.

The communique adds that the Constitution itself, in its article 217, imposes on the attorney general the not-always-pleasant responsibility of defending government interests, supporting compliance with the law, overseeing the conduct of government officials to ensure that they properly comply with their tasks, and, finally, countering crime and constitutional or legal infringements.

The attorney general's communique asserts: We reiterate our conformity with a genuine political amnesty that is clear and transparent and will help direct our nation on a path of harmony, fraternity, and peace. Thus, we call for reflection and good sense to ensure social peace and national well-being. The communique is dated today, 31 May 1996.

Panama: President To Order Release of Certain Prisoners

PA0406023596 Panama City LA PRENSA in Spanish 1 Jun 96 p 1

[Report by Manuel Alvarez Cedeno]

[FBIS Translated Text] Panamanian President Ernesto Perez Balladares will order the release of all the prisoners who have kept their sentences without being tried. He has made a positive assessment of a communique issued by bishops questioning the legal delay and requests that the controversial amnesty bill be sent back to a first debate.

An official communique issued last night states that the president has instructed the Presidency deputy minister to gather the relevant information and to prepare the corresponding legal means "so the executive can grant the release for all those who are in those circumstances."

The president's decision was made after the Panamanian Episcopal Conference (CEP) issued a communique asking that the amnesty bill be sent to a first debate and questioning the legal delays present in the country's courts.

Perez Balladares assessed the CEP communique as positive, because, the Presidency maintains, it agrees with the executive's proposals on the issue.

"The president shares the bishops' concern about the penitentiary population that has been deprived of freedom without being called to trial or that has been in jail for a period greater than would have been imposed if found guilty," the note states. It also calls on all those who share the responsibility of imparting justice efficiently to present proposals so the "situation of injustice" does not repeat itself in the future.

The CEP communique states that a large amount of the penitentiary population has been deprived of its freedom without having been tried and has kept a longer sentence than would have been imposed if found guilty, which is a human rights violation and totally unjust.

The CEP document is signed by Monsignor Jose Dimas Cedeno and Jose Luis Lacunza.

Regarding the controversial amnesty law, the Panamanian bishops have requested that it be returned to a first debate for further consultations but also has admitted there is a legal delay in the country that cannot be resolved with a full stop law but by expediting the legal processes.

On its part, the United Movement Against Impunity (MUCI) has accused the PRD [Democratic Revolutionary Party] legislators of being "stubborn," because they insist on discussing the amnesty bill in a second debate.

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On this issue, PRD Legislator Balbina Herrera has said the assembly plenary will decide next Monday whether the bill is to be sent back to a first debate and has recalled that the legislative plenary is a sovereign body.

MUCI, in a communique, "regrets the stubbornness the PRD bloc has shown, because it insists on continuing with the second debate, and they alone will be to blame for uncertainty and unease the country will continue to experience."

The communique adds that the MUCI will continue to fight in order to ensure that the people who have been investigated, tried, and sentenced for violating human rights, committing horrible crimes, and stealing government coffers be excluded from the benefit of this bill.

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Argentina

Argentina: Menem Views Israel's Netanyahu, Peace Prospects

PY0306154296 Buenos Aires TELAM in Spanish 1941 GMT 2 Jun 96

[FBIS Translated Text] Buenos Aires, 2 Jun (TELAM) — President Carlos Menem today said he believes Israeli Prime Minister-elect Benjamin Netanyahu will pursue the Middle East peace process implemented by assassinated [former Prime Minister] Yitzhaq Rabin and [current Prime Minister] Shim'on Peres.

Menem pointed out to Radio America: "Prime ministers have changed there — the opposition to Peres achieved victory in Israel — but I believe the new prime minister will seek peace in the Middle East."

The president announced that, in keeping with a petition by defeated Prime Minister Shim'on Peres, he wrote to Syrian President Hafiz al-Asad before the Israeli elections. In his letter, Menem asked al-Asad to do his utmost to achieve peace in that region.

Menem said: "We are conducting many negotiations. A few days before the Israeli elections, Peres asked me to write to the Syrian president, asking him to enhance his efforts to achieve peace in the Middle East."

The president added: "I asked the Syrian president. I believe he has good chances of successfully participating in the peace talks with Israel."

Menem was asked about a letter he received from Yasir 'Arafat, Palestinian Liberation Organization (PLO) leader, who stated: "The PLO believes the Argentine president deserves the Nobel Peace Prize."

Menem noted: "This is not just the expression of the Palestinian president, but that of a friend who has unwaveringly struggled for his nation's freedom and for the restoration of peace."

Argentina: Cavallo on Economic Upswing, 1996 Prospects

PY0406130796 Buenos Aires TELAM in Spanish 0020 GMT 4 Jun 96

[FBIS Translated Text] Buenos Aires, 3 Jun (TELAM) — Economy Minister Domingo Cavallo today disclosed indicators revealing that the Argentine economy may grow by 5 percent this year with a modicum effort and that it is even feasible for Argentina's GDP to grow by 6, 7, or 8 percent [per annum] during decades without stoking the furnace of inflation.

Cavallo stated: "It is highly likely that the Argentine economy will grow by 5 percent" in 1996, and he asserted that "economic activity is on the upturn."

The economy minister contended: "A recovery of the production levels recorded in 1993 and 1994 is not only economically viable but it is also feasible to surpass them." Cavallo was of the opinion that "we ought not to be shamed by the 1995 recession. On the contrary, we should take pride in it."

Cavallo made these remarks in the auditorium of the Argentine National Bank [BNA] during a more than one-hour address before more than 500 businessmen, bankers, and economists.

The economy minister further stated that during the financial crisis hitting the economy last year, "we were able to avoid a resurgence of inflation," adding that in 1995 the economic plan itself "was on trial, but we came through with flying colors."

Cavallo acknowledged that "we have the same level of deficit as in 1995"; therefore, "we must considerably increase tax revenues."

While confirming that the federal government will continue pursuing a policy geared to reducing taxes, the minister conceded that "for the time being, we cannot lower the VAT [value-added tax] until tax collection improves."

Having acknowledged that in the past years, the operations against tax evasion were quite spectacular, Cavallo asserted that from now on, each inspector will know the situation to be inspected beforehand so as to know what he should demand.

"We must oblige tax-payers to pay the wealth tax," he observed, adding that he felt confident "there will be a leap in the collection" of the wealth tax in June.

Commenting on the cost of living, statistics on which will be released tomorrow, Cavallo announced that the Consumer Price Index was slightly negative and the Wholesale Price Index edged up a bit, while the cost of construction will stand at approximately 0 percent. "These indicators show that the May index will show no variation," he underscored.

The minister also emphasized that other productive sectors, like mining, fishing, forestry, the manufacturing industry, and services are showing signs of recovery. He forecast that the construction industry "is the one that will record the most impressive growth in the coming decades."

Among the economists present at the BNA auditorium were Ricardo Lopez Murphy, Adolfo Sturzenegger, Roberto and Juan Alemann, Raul Cuello, Miguel Angel Broda, Adalbert Krieger Vasena, Arnaldo Bocco, and Enrique Folcini.

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Also attending Cavallo's lecture were Jorge Blanco Villegas, president of the Argentine Industrial Union; Osvaldo Cornide, chairman of the Coordinating Agency for Commercial and Business Activities; Jorge Di Fiori, president of the Argentine Chamber of Commerce; Rolando Pietrantueno, chairman of the Argentine Industrial Council; and Petroleum Industrial Chamber President Jorge Brea.

Buenos Aires Mayor Jorge Dominguez, former Provisional President Italo Luder, and Deputies Antonio Erman Gonzalez and Maria Cristina Guzman were among the politicians present in the BNA auditorium.

Cavallo announced that, according to preliminary data, Argentina's GDP expanded by 3.2 percent in the first quarter of the year compared with the fourth quarter of 1995, but declined by 3.2 percent compared with the corresponding quarter last year.

"This is the first time in 50 years that we have a sustainable climate," he said.

Cavallo further stated that economic stability has been achieved thanks to the entire society, which "adopts decisions conducive to stability."

To underpin his arguments about the present economic upswing, the head of the Economy Ministry mentioned a 6.6 percent increase in the demand for electricity in May compared with the same month in 1995 and a 4 and 8.85 percent increase in the extraction of oil and gas, respectively, last month.

Cavallo claimed that "some sectors saw their stocks depleted, particularly inputs and farm machinery. There have also been record sales of tractors and sowing machines."

The economy minister declared that farmers intend to increase the acreage devoted to grain, adding that these favorable conditions are not only seen in the humid pampas, but also in the fruit and vegetable sector.

Still, he acknowledged that "there are indications that cattlemen are getting rid of their stock" in light of the sharp decline in the price of beef throughout the world.

Commenting on this, Cavallo stated that the cattle-raising sector "is facing difficult moments, but the outlook for the medium and long term is promising on account of the fact that the country is now free of foot-and-mouth disease and will be able to have access to markets that were banned in the past."

Cavallo told bankers that just as he had told them in the past that the agricultural sector did not deserve to be granted loans because it was not profitable, he now exhorts them to support this sector so that it can experience a sustainable recovery.

Argentina: Peru Refuses To Send Delegation to Conference

PY0406180396 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1929 GMT 3 Jun 96

[FBIS Translated Excerpt] Buenos Aires, 3 Jun (NA) — Defense Minister Oscar Camilion and Brigadier Juan Paulik, Air Force chief of staff, today inaugurated the 36th Conference of Air Force Commanders of the Americas [Trigesimo Sexta Conferencia de Comandantes en Jefe de las Fuerzas Aereas Americanas] (CONJEFAMER). Peru is the only nation on our continent not participating in this conference.

The Air Force commanders summit will last one week. Technical and scientific issues of common interest to the participating countries will be broached during the summit.

The United States, Canada, Bolivia, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Dominican Republic, Uruguay, Venezuela, and Argentina are the nations that are participating, through their Air Force representatives, in this CONJEFAMER conference.

Brigadier Paulik was informed of the absence of the Peruvian delegation through a letter written by Peruvian Air Force General Waldo Ritcher Cruz, which the Peruvian military attache in Buenos Aires delivered to Paulik on 1 June.

Military sources reported that, in his letter to the Argentine Air Force chief of staff, the Peruvian Air Force general reportedly noted that the Peruvian Air Force delegation would not participate in the Buenos Aires conference over specific instructions issued by President Alberto Fujimori.

Arms sales to Ecuador during the so-called "War of the Condor," pitting Ecuador against Peru over the control of a border strip, has now been investigated for a few months in Argentina.

Upon entering the Montserrat Hall in the Continental Hotel's second sublevel and upon leaving for the Defense Ministry, Camilion refused to make any comments to journalists. [passage omitted]

Argentina: Peruvian Army General Arrives For 2-Day Visit

PY0506032696 Buenos Aires TELAM in Spanish 2256 GMT 4 Jun 96

[FBIS Translated Text] Buenos Aires, 4 Jun (TELAM) — It was officially reported today that Division General Andres Sanchez Savaresse, deputy chief of the Peruvian Army [as received], began a two-day visit to Argentina

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today with the purpose of meeting with military authorities and visiting Army units.

The Peruvian Army chief of staff [as received] arrived at Ezeiza International Airport and subsequently met with Lieutenant General Martin Balza, chief of staff of the Argentine Army, in his office in the "Libertador" building.

Gen. Sanchez Savaresse will fly to Salta tomorrow to attend a ceremony in which the Artillery Group No. 15 headquartered in the city of Salta will be named after "Colonel Francisco Bolognesi" — a Peruvian national hero. This ceremony will be presided over by Division General Raul Gomez Sabaini, Army deputy chief of staff.

On this occasion, Lieutenant Colonel Ricardo Sarobe, commander of the Artillery Group No. 15, will deliver a speech and subsequently decorate the visiting Peruvian general. The ceremony will close with the inauguration of a museum of the history of that military unit.

In the evening, the Peruvian general will be hosted to a dinner at the Military Circle in the Buenos Aires neighborhood of Retiro. General Sanchez Savaresse is scheduled to return home on 6 June.

Argentina: New Justicialist Party Faction in Buenos Aires

PY0506020596 Buenos Aires TELAM in Spanish 1721 GMT 11 May 96

[FBIS Translated Text] Buenos Aires, 11 May (TELAM) — A new Justicialist Party [PJ] faction, "Peronism on the Move" ["Peronismo en Marcha"], has been launched in Buenos Aires Province. This new faction supports President Carlos Menem's actions and enhances internal discussions within Justicialism in Buenos Aires Province.

The leaders of the new internal trend confirmed they will back President Carlos Menem and support Governor Eduardo Duhalde, but added that Peronism "does not have obvious candidates for 1999," as they will emerge from a "truly" internal process.

The executive board of "Peronism on the Move" comprises Sergio Oriolo, Lucio Otegui, Raul Onofre Dominguez, Gregorio Zanna, Julio Encabo, Jorge Sonzogni, and Miriam Juarez.

The leaders who created this new group emphasized that they will support President Menem's transformation process, and Eduardo Duhalde's actions "in harmony with the government."

Through a communique, the leaders say they formed this new group "to represent those Peronists who have been neglected by the closed structures that now prevail in provincial Justicialism."

One of the main goals involves "reconstructing and enhancing our party's role, restoring the ethical meaning of politics and the service vocation by calling all the party members to participate in open discussions on policies to be pursued."

Argentina: New Drug Route Originating in Bolivia Noted

PY0406191196 Buenos Aires TELAM in Spanish 1514 GMT 1 Jun 96

[FBIS Translated Text] Salta, 1 Jun (TELAM) — Nelson Jose Mandrile, national director of the Control of Illegal Drug Trade Coordinating Board, admitted today here that there is a new way to enter drugs into the country.

This new route includes a corridor through western Salta Province that spreads into the rest of the country.

The new route starts in Bolivia. It goes through Jujui's Puna region, western San Antonio de los Cobres, and Valles Calchaquies of Salta to end in Santa Maria, in Catamarca Province.

This route is usually used by people taking contraband and drug traffickers. The traffic was denounced by inhabitants in Lagunilla de Farallon, a town located in Jujui's Punta, 240 km from La Quiaca.

Lagunilla is a town of shepherds living in the region's plateaus and mountains. Mandrile said that traffickers are seeing crossing the region guiding droves of donkeys loaded with electric appliances, coca leafs, and cocaine.

It is difficult to move in the zone and it takes time to go through it, but traffickers know that they do not risk a confrontation with the border police if they transport their merchandise through this corridor.

Mandrile said that "traffickers look for security, even though at the cost of taking long detours."

The official said that for this type of individuals "the shortest road is not the surest one, which does not mean that both elements will always be absent together."

Mandrile admitted that in the last few months the local people have seen an increasing number of traffickers using known passes, despite the increasing effort to control the trade through the different security organizations based in the area.

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Bolivia

Bolivia: Government, Opposition Talks on Article 60 Fail

PY0506034696 Santa Cruz EL MUNDO in Spanish 31 May 96 p A21

[FBIS Translated Text] La Paz, 30 May (JATHA) — Although the ruling parties and the opposition came close to reaching a final agreement on the new regional distribution of congressional quotas, and the assignment of districts to uninominal deputies, they did not manage to agree on how and when Congress should debate the bill regulating the implementation of Article 60 of the Constitution.

Thus, the talks held at President Sanchez de Lozada's behest on 30 May met an insurmoutable obstacle, at least for the time being.

According to Senator Walter Guiteras of the Nationalist Democratic Action, the opposition wants Article 60 on the agenda of the upcoming extraordinary session of Congress, while President Sanchez de Lozada and his ruling coalition flatly refused this proposal and suggested that another extraordinary session be held to debate the aforementioned article.

"There is a deadlock because the president flatly refuses to put the issue on the agenda of the extraordinary session on the grounds that the Constitution does not allow him to. We believe that issue should be on the agenda of the extraordinary session by means of a supreme decree amending said agenda, or through a congressional decision," Guiteras said.

He added: "We managed to practically force him (the president) to agree to call another extraordinary session of Congress, but the thing is that the agenda of the upcoming extraordinary session is so long that debates could well last from 10 June until the next regular session (August)."

At the meeting, both the administration and the opposition voiced their fears.

According to sources present at the meeting, Sanchez de Lozada told his political adversaries that the efforts to place the debate of Article 60 on the agenda of the extraordinary session could be part of a strategy to block the approval of the bill on pensions, and the governability bill.

Meanwhile, the opposition stated that the promise to call another extraordinary session of Congress could be just a display of good will, that the debate would go on and on to the point of paving the way for an extension of the presidential term in office for lack of agreement [on Article 60].

It seems that the political parties have reached a preliminary agreement for the distribution of uninominal circumscriptions based on the proposal of the multiparty committee to base the distribution on population numbers. This means that Potosi Department will lose three deputies, while Pando and Chuquisaca Departments will lose one deputy each.

Based on the same democratic principles, Santa Cruz Department will gain three deputies and La Paz Department will gain two deputies. The other four departments will keep their current number of deputies.

It was explained that six departments will get at least five deputies each, while the quota of the three central departments will be based strictly on their population.

Bolivia: 18 Deputies Found Guilty of Falsifying Documents

PY0506002996 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1804 GMT 3 Jun 96

[FBIS Translated Text] La Paz, 3 Jun (AFP-NA) — Judicial sources reported on 3 June that the La Paz District Prosecutor's Office has found 18 deputies from ruling and opposition parties guilty of falsifying documents. These deputies increased the amount of their compensation bonus illegally and were suspended temporarily.

Prosecutors were finishing the procedures before placing the documents in the hands of the judge who will hear the case. The judge must decide, first, how the group of legislators will be tried.

The Bolivian Congress scandal exploded at the beginning of the year, badly shaking the already tarnished image of this institution. The problem involved 22 deputies, 17 of whom belong to parties in the ruling coalition and the rest to the opposition.

The report mentions the possibility that the legislators accused of "forgery of public documents" will be absolved thanks to last minute "salvage" maneuvers to prevent a court from deciding on their future.

Prosecutors who investigated the case anticipated that there are indications of guilt in all cases. They disagree, however, on the gravity of the crime.

In the next few hours, Judge Oscar Crespo will determine the manner in which the 18 legislators will be tried, although various prosecutors fear that high-ranking government officials will maneuver to ensure that the results of the trial favor those involved.

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Bolivia: Drug Trafficking Groups' Organization Examined

PY0506034496 Cochabamba LOS TIEMPOS in Spanish 26 May 96 p A2

[FBIS Translated Text] La Paz, 25 May — According to organizations responsible for repressing drug trafficking, drug trade organizations in Bolivia administer large sums of money and handle important and legally constituted entrepreneurial centers.

LOS TIEMPOS had access to a confidential report at the Special Antinarcotics Forces (FELCN) revealing that there are no "drug cartels" in Bolivia, but "lines [lineas] of drug traffickers made up of entire families generally coming from unprotected rural zones."

The intelligence report says that the structure of a drug trafficking organization in Bolivia includes a chief, an executive, a financial partner, a harvester, a transporter (mule), various suppliers, and trained personnel for the manufacturing of drugs.

FELCN explained that the "chief" is responsible for administering the line in the country.

Lines are usually located in Bolivian urban centers with great economic and social importance.

The group has the characteristic that it never touches the drug it manufactures through intermediaries. And what is even more important, it "manages large legal business concerns in the country."

The second man in the criminal organization, the "executive," is responsible for directing the economic transactions made by the line in the country and abroad.

He represents the line chief and administers the funds derived from legal or illegal economic transactions.

He is the man responsible for providing enough logistical elements to the organization to move inside and outside of the country.

He hires assassins to pressure and exercise physical coercion against potential customers. He is the visible head of the organization in all social contacts.

The financial partner, third in importance in the drug trafficking organization, has functions that are just as important. He provides the money to promote underground operations.

Just as the chief, he does not have contact with drugs, but he is directly in charge of purchasing cocaine and, therefore, the expert "bloodhound," in drug traffickers' criminal language, in charge of verifying the quality of the drug that the organization is purchasing and selling to its clients, generally international groups.

He is also directly in charge of packaging the drug for trading in "the legal market."

The "harvester" is an employee of the organization. He is the contact between the organization and suppliers. He and the financial partner are responsible for purchasing the drug, verifying the quality, and helping the financial partner in the process of pressing and packaging cocaine.

The "transporters" may or may not be organization employees. They are pilots, drivers, or mules.

The line also has suppliers and manufacturers. Suppliers are a group of intermediaries in charge of purchasing and selling the drug.

They purchase drugs from producers in small quantities. Those with more courage install small crystallizing laboratories and deposits in premises located in strategic places.

Some suppliers are experts in the international trade of chemical precursors.

Finally, manufacturers are, in general, "laboratory chiefs." They are experts in chemistry. Some of them are assistant chemists or simply coca-stompers.

They also act as "bells" [informers], in the drug traffickers' jargon. They are also called "wakitoqueros" [those who use walkie talkies].

Brazil

Brazil: Finance Minister on U.S. Economist's Predictions

PY0406153896 Sao Paulo AGENCIA ESTADO in Portuguese 2047 GMT 3 Jun 96

[FBIS Translated Text] Brasilia, 3 Jun (AE) — Through several telephone conversations with foreigners, Finance Minister Pedro Malan today attempted to attenuate the impact of the statements made by Rudiger Dornbusch, a U.S. economist from the Massachusetts Technology Institute, who warned of a risk of collapse of the Real Plan as a consequence of the overvaluation of the real. Malan straightforwardly contested Dornbusch's assertion that the Brazilian currency is overvalued by 30 or 40 percent. "Not one serious economist in Brazil believes that the exchange rate is overvalued by 40 percent," Malan said.

The minister pointed out that the Brazilian foreign accounts show a good performance without signals of capital flight or deterioration of the trade balance. He recalled that the exchange policy cannot be analyzed based only on one or two parame[illegible] but it must be

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analyzed based on more complex indicators, like the productivity level of the Brazilian economy.

Malan qualified Dornbusch's statements as an "inaccurate piece of news" or "a correct diagnosis, although not new." Dornbusch's assessment was broadly publicized, as he had forecast the economic crisis of Mexico.

In a counterattack, Malan pondered the following points:

"Exchange rate — The calculations presented by Dornbusch, saying that the real was 40 percent overvalued, was the main target of Malan's contestation. It is an inaccurate piece of news, Malan said. As for Dornbusch's forecast of a "collapse" of the Brazilian economy if the mentioned parameters are not modified, Malan's reaction was slightly ironic. He compared Dornbusch's forecasts to earthquake predictions in California. "All Californians know that 'tremors' can always take place there," Malan said. The possibility that Brazil suffer turbulence in an undefined future should be faced naturally, he said. "It is very difficult to make forecasts of this kind."

Fiscal adjustment — The diagnosis presented by Dornbusch who said that a fiscal adjustment must be implemented to maintain the stabilization process of the Brazilian economy, can be classified as a correct assertion, although not new. "We are all making an effort to tighten the fiscal adjustment," Malan said. Evidence of this is our expectation that the public deficit will this year amount to nearly half of what was registered in 1995, he added.

Inflation — Malan disagrees with Dornbusch's belief that the performance of the inflation no longer represents a principal concern in the Brazilian economy. He recalled that Brazil not long ago suffered a 5,000-percent annual inflation rate together with a wide indexation process.

Brazil: Chinese Ambassador Reacts to Import Quotas

PY0406172596 Sao Paulo FOLHA DE SAO PAULO in Portuguese 31 May 96 Section 2 p 3

[FBIS Translated Text] Chinese Ambassador to Brazil Li Gouxin, on 30 May said that his country "was caught by surprise" with the Brazilian decision of imposing import quotas on Chinese textile products.

"The Brazilian decision was announced too suddenly," he said.

The ambassador denied that China carries out "dumping" practices and he did not rule out the possibility of Chinese retaliations.

He stressed that the trade balance between Brazil and China is unfavorable for China.

Brazil: Committee To Make Trade Deals With France

PY0406024096 Sao Paulo GAZETA MERCANTIL in Portuguese 30 May 96 p A5

[Report by source identified as M.C.R.M.P.]

[FBIS Translated Text] In Paris on 29 May, during a seminar sponsored by GAZETA MERCANTIL and the French newspaper LES ECHOS, counselor Botafogo Goncalves, chief of the Itamaraty Economic Department, announced the formal installation of a Brazil-France Strategic Committee. The objective of the committee — made up of Brazilian and French entrepreneurs — is to make concrete deals in the area of investment and foreign trade.

The idea is to place stronger emphasis on coordination between the small and mid-sized enterprises of the two countries, because it is believed that this sector affords a good chance for exchanging not only experiences, but mainly goods and services.

Muaro Durante, president of the Brazilian Service for Support to Small and Micro Firms (Sebrae), gave an idea of the scope of the work by small and mid-sized enterprises in Brazil. There are 4.5 million such enteprises, and they account for 98 percent of the total number of enterprises in Brazil. They hire 60 percent of Brazilian manpower, and they produce 48 percent of the national income (in the industrial, commercial, and services sectors), accounting for approximately 20 percent of the GDP.

Durante noted that these statistical figures do not include the activities in the unregistered sector of the economy. Sebrae, however, believes that the potential of those enterprises should also be used, because "with minimum help for resolving their problems, those enterprises — which today operate on the informal market — can grow and become an official project, which is then registered and starts paying taxes," Durante said.

The issue of small and mid-sized enterprises raised considerable interest among French entrepreneurs attending the seminar, especially in connection with the work being developed in France, at Havre University, through the so-called Alfa mission program.

The program has financial support — amounting to approximately $40 million — from the European Community, and the participation of other countries. Through this program — which is coordinated from France — Havre and other localities in France, Spain, Portugal,

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Argentina, and Brazil receive and send university students for training in small and mid-sized enterprises.

Leda Guillemette, the Havre university coordinator of the program, explained to this newspaper that in January 1996 (the program started at the end of 1995), six students were sent to Brazil. One of those students, Celine Lacherre, a French citizen who speaks Portuguese and English, was very successful in the mission of advertising the activities of TGD in Brazil. TGD is a small French enterprise specializing in the export of sophisticated products (like perfume, silk handkerchiefs, and bijouterie). "She worked hard, traveled everywhere, and was so successful that not only did TGD open an office in Santos, Sao Paulo State, but it made her the director of the enterprise in Brazil," Guillemette said.

Brazil: Cardoso Marks World Environment Day

PY0406153796 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 4 Jun 96

[Weekly address to the nation by President Fernando Henrique Cardoso from Brasilia on 4 June — recorded]

[FBIS Translated Text] Mankind will be commemorating on 5 June World Environment Day. Our country is extremely rich both in terms of flora and fauna. Brazil accounts for 20 percent of the world's environmental resources. We have such a variety of animal species, land, and forests in the Amazon region, in the Mata Atlantica region, and in the Pantanal region that not even we know all about this wealth. We must properly use and preserve these resources.

My administration is committed to progress, but respecting the environment. Tomorrow, we are going to sign a $20 million contract with the World Bank to develop a project for the preservation and sustainable use of the Brazilian biological diversity. Today, many Brazilians — for instance, in Para — use plants as medicines. Brazilians and foreigners alike may also benefit from those medicinal plants if the scientific community had access to them, if they are adequately exploited and preserved.

Hence, we are going to invest the funds supplied by the World Bank in doing a great deal of research, in developing new technology, and in formulating policies designed to ensure a proper use of the environment.

By taking this step in favor of the environment, we are complying with a pledge made by Brazil upon signing the Convention on Biological Diversity and the Agenda 21 during the UN Conference on Environment and Development, also known as Eco-92; that is, our pledge to preserve and to properly use Brazilian natural resources.

An important instrument for preserving nature is that which protects true ecological sanctuaries located within private land, what has been known as national private reservations. The owners of these reservations are exempted from paying the Rural Land Tax. Effective tomorrow, it will be easier to set in motion processes designed to create and to monitor those areas, which will thus be better exploited. What does this mean? That a private reservation will be allowed to have lodging facilities, or a hotel; and to develop educational and leisure activities. A farmer or rancher who may turn his land into an ecological reservation should seek a superintendent or office of Ibama [Brazilian Institute for Environmental Affairs and Renewable Natural Resources]. An Ibama expert will then inspect the region to assess the flora and fauna, the land clearing situation, and in sum, determine whether the area is truly well preserved. The entire process should last only 60 days.

Before ending this program, which marks World Environment Day, I want to give some good news to all Brazilians who make a living by extracting rubber, chestnut, acai palm tree, and copal tree resin; and by engaging in fishing activities in the Amazon region. The administration has opened a line of credit amounting to 24 million reals [R] for a program known as Prodex to promote the development of extracting activities. Anyone requiring funds to improve the collection and marketing of these products should go to the Amazonas Bank.

According to the Brazilian Institute of Geography and Statistics, there are 52 products obtained through extracting activities in Brazil today, 30 of which are extracted in the Amazon region by 180,000 families. This means that approximately 1 million people make a living on extracting activities in the region. This is the first time a Brazilian administration has made a line of credit available to those Brazilian citizens who exploit their environment, without destroying it.

Our country is progressing in preserving the environment because there is a new mentality advocating development without destroying the environment, and because there is a partnership between the government, society, and thousands of NGO's with a view to promoting sustained development.

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Brazil: Guidelines for New Intelligence Agency Outlined

PY0406204296 Rio de Janeiro JORNAL DO BRASIL in Portuguese 1 Jun 96 p 2

[Commentary from the "Political Issues" column by Rosangela Bittar: "Government Agency Will Allow Wiretapping"]

[FBIS Translated Text] The administration currently has no way to investigate the creation of social movements, to predict conflicts, or to adequately interpret the meaning of growing popular demonstrations against the president of the Republic. To respect President Fernando Henrique Cardoso's right to go and see things for himself, as well as that of those people standing in his way to do the same, are things of the past. The possibility to do this existed until a bus carrying members of the presidential entourage was stoned in Campina Grande, until even more violent demonstrations took place in Corumba de Goias, and until government officials were held hostage by individuals.

Today, the staff of the presidential military household chief's office, which is responsible for President Cardoso's security, is conforming is work to a top security guideline. This entails taking actions to preclude unexpected situations and to curtail some movements. It means, for instance, banning the use of sound trucks at full volume while the president is delivering a speech; and preventing people from trespassing into public buildings, from hurling stones, or from uttering expletives.

Yet, these actions are not based on information on what is really taking place; they do not take into account recent developments concerning movements, or how the groups were formed or developed. Sources within the administration believe the Landless Peasant's Movement [MST] has a mixed membership, but they think it would be irresponsible to draw the above conclusion without first having an in-depth account of the MST history. Nor can it be concluded that the growing number of demonstrations should be attributed to the fact that we are moving closer to the municipal elections.

Presidential security is only an example of the type of issue the administration would like to overcome through the reinstatement of a national intelligence system to supply reliable information.

Beginning on 3 June, the administration can start talks with Congress regarding the new Brazilian Intelligence Agency, Abin, which will be charged with filling the hiatus of information that existed over the past five years. The bill is now in the final drafting process and is ready for a preliminary discussion with congressmen to seek consensus before formally submitting it to Congress.

President Cardoso, who returns to Brazil today, will see how his instructions were incorporated into the provisions of the bill. He does not want the resurrection of the National Intelligence Service [SNI] of the military administrations. The mission entrusted to General Alberto Cardoso, chief of the military household who is now also in charge of the government's intelligence area, is to set up an organization that would work conforming to technical standards.

As a result of past experience, it is known today more about what Abin should not do than what it should do to perform its new role. Abin could not exercise police functions. It could not arrest, question, or keep any individual under surveillance. It cannot give opinions or guidelines about its own functions.

Abin's tasks will be outlined in a code of ethics and its working guidelines will be laid down by the Chamber of National Defense, one of the government's administrative bodies. The chamber consists of the justice, foreign, army, navy, and aeronautics ministers; of the strategic affairs secretary; and of the chiefs of the civilian and military households.

According to Gen. Cardoso, Abin will put aside ideological or partisan considerations in its work, which should be regarded as a technical operation. He said: "Information should reach the president of the Republic untainted, without having been used first as an instrument to exercise power. It is the president who may turn this information into a power tool."

Another established guideline is that Abin should be an organization of the state, rather than of the administration, and it will be implemented accordingly. This means that it will have a permanent status, with the clear objective of supplying information for state security, without tilting in accordance with the trends of each administration.

Respect for individual rights is another guideline imparted to Abin by President Cardoso. In terms of secret actions, which will no doubt abound, the main guideline will be respect for the law. Thus, Abin may for instance wiretap telephones, but it will require court authorization. It will also seek to coordinate its reports with those produced by similar organizations from the states.

The administration is also concerned about both internal and external control of Abin. The Chamber of National Defense and the president of the Republic will perform the internal control role. The draft bill states it will be incumbent upon Congress to exercise external control.

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This task would be assigned to a joint congressional committee consisting of a few congressmen having the credentials to work with issues requiring top secrecy.

The above is the outline of the intelligence agency that will replace the old SNI, which became defunct five years ago. According to internal evaluations, the administration experienced a complete lack of information on all of the issues during the past five years.

Brazil: Cardoso Lauds Power Firm Transfer to Private Area

PY0506032296 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 4 Jun 96

[FBIS Translated Excerpt] The federal administration today transferred share control over the Light and Power company to the private area. President Fernando Henrique Cardoso attended the ceremony at Planalto Palace in which the privatization contract was signed. During the ceremony, President Cardoso said that privatization of Light and Power is part of the process that will modify the structure of the Brazilian Government:

[Begin recording] We are not treating the value of the public assets in an unconcerned manner, because we know that it has been very difficult to accumulate these assets in Brazil. They have cost the efforts of several generations. Many of us have fought to make it possible for the country to have these assets. Several of those who are attending this ceremony have struggled to give the Brazilian Government the capacity of promoting development, thus allowing the country to create enterprises capable of reshaping Brazil. Now, in another historic moment, we must face another transformation of the Brazilian Government, simultaneously with the privatization process. [end recording]

According to Cardoso, the federal administration is implementing these changes very carefully and at the right moment. President Cardoso also pointed out the openness of the privatization process. [passage omitted]

Brazil: Kandir Sworn In as 'Austerity' Planning Minister

PY0406180196 Rio de Janeiro Rede Globo Television in Portuguese 1615 GMT 4 Jun 96

[FBIS Translated Text] Austerity. This was the word heard the most during the swearing-in ceremony of new Planning Minister Antonio Kandir. He announced he will control public expenses.

Ministers, congressmen, and governors attended the change of command in the Planning Ministry. Jose Serra left to run for Sao Paulo mayor, and Antonio Kandir was sworn in. The new minister arrived defending a strict control of public expenses.

[Begin Kandir recording] I want to announce out loud the three words that will mark my action in the administration of public expenses: Austerity, austerity, austerity. [end recording]

Kandir added that the constitutional reforms are essential to allow the administration increase expenses in the social field.

[Begin Kandir recording] Those who demand the government to carry out a great social action, those who blame the government for the prevailing unemployment situation, and those who vote in favor of the maintenance of privileges, distorting or blocking the constitutional reforms that are essential for the adjustment of public accounts, are committing demagoguery, I repeat: demagoguery. [end recording]

President Fernando Henrique Cardoso clearly established that the cabinet change will not affect government policy.

[Begin Cardoso recording] I will not yield in my objective of changing Brazil. We will change Brazil. Now, we will change it together with Kandir. The country wants to change, and it will change with the help of Congress and the courts, in democracy. [end recording]

The first action of Minister Antonio Kandir, who always defended the privatization program, will be to preside over the ceremony signing the contract transferring the control stock of Light [Power Services, Inc.] to the private sector. Kandir will also attend a luncheon with Inter-American Development Bank [IDB] President to define how much the IDB will invest in Brazil this year. Kandir will finish his day with a meeting with all the Planning Ministry secretaries — a team he does not intend to change.

Brazil: Reactions To Kandir's Appointment Said Positive

PY0406035596 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 30 May 96 p B4

[Article by Claudia Carneiro]

[FBIS Translated Text] Brasilia — Congressional leaders have deemed the confirmation of Deputy Antonio Kandir's appointment to replace Jose Serra at the Planning Ministry as a very correct decision. Planalto Palace allies have applauded the choice, while the opposition has continued to utter its devouring criticism of the federal administration's economic team and economic policies.

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Well accepted among his congressional colleagues, Kandir (PSDB-SP) [Brazilian Social Democracy Party-Sao Paulo] is seen by most as a respected economist who will be able to maintain a good dialogue with the Congress, which had problems regarding Serra's style.

"Serra has left a debt and Kandir's appointment will probably calm down the allies," Deputy Inocencio Oliveira (PE) [Pernambuco], who is the PFL [Liberal Front Party] leader in the Chamber, said. He believes that Kandir's profile as a negotiator can help improve the economic team's relations with the allied parties without modifying the federal administration's trends. "He is a man who fulfills missions, and the rhythm with which he does so will depend on the president of the Republic," Oliveira said.

Deputy Delfim Netto (PPB-SP) [Brazilian Progressive Party-SP] said: "It is an excellent choice. Kandir's appointment will mean less tension in the federal administration's team" because there will be a smaller distance between the positions defended by Kandir regarding the economic policy and those of Finance Minister Pedro Malan's team, particularly with regard to the opening of the Brazilian economy toward other countries. In Delfim Netto's opinion, Kandir is "a good professional" and, therefore, "will not harm the federal administration's image." He thinks that after Kandir's appointment, the federal administration "will remain as it is or improve."

Deputy Michel Temer (SP), leader of the PMDB [Brazilian Democratic Movement Party] in the Chamber, classified the new minister as an "economist with a very open mind to everything that is modern in the economy." Kandir has also gotten a green light from the ruralist bloc. Deputy Abelardo Lupion (PFL-PR) [PFL- Parana], who is the ruralist bloc leader, said: "It has been an exceptional choice."

The PSDB bloc has also considered Kandir's appointment an important decision for the party's image and its performance in Congress. "Kandir will maintain a strong interlocution channel with the economic team and will make partnership between the executive and legislative branches easier," PSDB leader Deputy Jose Anibal (SP) said. The PSDB members believe that the new minister will be able to help in approving issues that are very important for the federal administration, particularly the constitutional reforms. Anibal has emphasized the unanimous support all parties have granted to Kandir's report concerning the draft bill modifying the rules on the Income Tax to be paid by corporations.

The opposition parties believe that the federal administration has retrogressed by choosing Kandir. "If the crisis became worse, Serra would have had better conditions to deal with it because he has more political power than this boy," Deputy Maria da Conceicao Tavares (PT-SP) [Workers Party-SP], who is also an economist, said. She forecasts, however, that Kandir will have less friction with the remaining members of the economic team than did Jose Serra. "The market became very calm with Kandir's appointment because they think that the federal administration's decision to replace Serra with a light-weight fighter has been excellent."

Deputy Tavares deemed Serra's decision to run for Sao Paulo's mayoralty "an honorable solution" because Serra had problems within the federal administration, mainly in his relations with Finance Minister Pedro Malan. He believes that with Kandir at the head of the Planning Ministry, privatizations will be swifter than they have been so far: "Privatization will depend more on the market rules, and I can't see how Kandir will be able to interfere in the process," she said.

Brazil: Planning Official To Stay at Cardoso's Request

PY0406191396 Sao Paulo FOLHA DE SAO PAULO in Portuguese 3 Jun 96 Section 1 p 5

[FBIS Translated Text] Brasilia — In a meeting with President Fernando Henrique Cardoso, Andrea Calabi has agreed to stay in his post as executive secretary of the Planning Ministry during the transition from the Serra to the Antonio Kandir administration.

Cardoso met with Calabi at Alvorada Palace from 1800 to 2100 on 1 June to discuss Calabi's departure from the Planning Ministry.

FOLHA found out that Calabi, the incumbent executive secretary, has decided to stay in office only for a few months at President Cardoso's request.

Cardoso would like the replacement of Planning Minister Jose Serra by Deputy Antonio Kandir (PSDB-SP) [Brazilian Social Democracy Party-Sao Paulo] to be as smooth as possible, at least officially.

Calabi was Serra's first choice to replace him as planning minister. Before meeting with Cardoso, Calabi had conveyed his desire to leave his office as soon as possible, without having to stay for more than 15 days with the new administration.

After a three-hour meeting with Cardoso, Calabi ultimately yielded to the president's pressure and agreed to stay in office for a period of at least three months.

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Brazil: Dissident PMDB Wins Bid for Sao Paulo Mayoral Race

PY0506020296 Sao Paulo GAZETA MERCANTIL in Portuguese 3 Jun 96 p A10

[By Maria Ines Nassif]

[FBIS Translated Excerpt] At the municipal PMDB [Brazilian Democratic Movement Party] convention held on 2 June, the dissident group of the Sao Paulo PMDB, led by Deputy Jose Pinotti, defeated the ticket backed by former Governor Orestes Quercia. "The party came back to life," said Political Coordination Minister Luiz Carlos Santos. "The Sao Paulo PMDB is now tuned in with the national PMDB, which on two occasions decided to support President Fernando Henrique Cardoso and the reforms," he said. If defeated, the dissident group was to have followed an existing coordination effort made by Santos, whereby the group would have officially declared itself a dissident faction that would support PSDB [Brazilian Social Democracy Party] candidate Jose Serra.

The dissident ticket ran against candidate Joao Leiva and won the party candidacy for mayor by only seven votes. Alberto Goldman, the dissident group's candidate for deputy mayor, beat Carlos Apolinario — Leiva's ticket mate, running for deputy mayor — by 16 votes. Even though they consider that it will be difficult to get close to the PSDB in the first round of the election, the so-called "pro-government" members of the PMDB will remove from the race, and from the party advertising time, the party sector linked with Quercia, which wants to use the campaign to stir up opposition against the Fernando Henrique Cardoso Government. [passage omitted]

Despite their victory, dissident group members were still doubtful and in disagreement over the path to be followed. Pinotti, who is less of a dissident than his ticket mate, said that he would support Leiva if the latter won. Pinotti belonged to the Quercia sector until the former governor vetoed his candidacy. Goldman had more resistance, but he admitted, just the same, that "an immediate alliance with the PSDB would be complicated."

In the opinion of Goldman, there is an almost inexorable trend toward an alliance with the party of Cardoso in the Sao Paulo elections, because of the polarization that will occur as a result of the "unity of conservative forces" in the alliance between the PFL [Liberal Front Party] and the PPB [Brazilian Progressive Party] of Paulo Maluf, which will sponsor Celso Pitta's candidacy. Goldman, however, is doubtful whether the alliance with the PSDB will occur in the first round: "There is too short a time for resolving all the problems with the PSDB and for overcoming the situation within the PMDB. Governor Mario Covas was inaugurated with the PMDB as his main adversary," he said.

The group will, at any rate, meet today with Minister Luiz Carlos Santos to decide what to do. The candidacy of Jose Pinotti is likely to be maintained, with the advantage that his discourse will not go against the federal government. The victory also serves the strategy of weakening the image of Quercia in Sao Paulo, the state that is giving Quercia a nationwide expansion. "We want the PMDB to be a party, not a notary public's office for registration of candidates," Goldman said.

Brazil: Sao Paulo Elections, Cardoso's Future Linked

PY0506010996 Rio de Janeiro JORNAL DO BRASIL in Portuguese 31 May 96 p 2

[Commentary from the "Political Affairs" column by Rosangela Bittar: "Restarting Eighteen Months Later"]

[FBIS Translated Text] The official discourse seeks to prevent the presidential succession issue from invading the Sao Paulo [SP] municipal elections, thus transforming them into a trial for President Fernando Henrique Cardoso. The PSDB [Brazilian Social Democracy Party] high command, including the president, his main allies, and the entire federal administration, know that reality can be quite different and they are getting ready to face the SP battle as if it were Judgment Day.

The conviction that leads them to this reasoning is the same that supported the pressure exerted on Jose Serra to accept running for SP mayor. It is not only the PSDB, but also the government- supporting PMDB [Brazilian Democratic Movement Party] and the PFL [Liberal Front Party] — which have a clear, informal alliance in SP — that are convinced these elections are decisive for the Cardoso administration now and in the near future.

Two of the president's advisers are currently resorting to political scenarios in order to strengthen the national significance of these municipal elections. They say that if the PSDB administration did not participate in this electoral dispute or only participated in them with a candidate who had no chances of winning, the party could abandon the political circles right now. This would be a political defeat more destructive than an electoral defeat. [SP Mayor] Paulo Maluf would be the only one dominating the presidential succession scenario beginning this October. Any amount of votes obtained by Maluf's candidate Celso Pitta — who will undoubtedly dispute the runoff with Luiza Erundina

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without any significant competitor in the first round of elections — would keep Maluf's prestige very high.

This is so particularly because no one doubts that the SP mayor will use the dozens of free minutes his coalition will have on television twice a day to point out what he has been achieving in the city of SP. Even adversaries admit that the Maluf administration has a positive balance to show off.

In this scenario, Orestes Quercia's PMDB would add its votes — in the runoff — to the those obtained by Maluf's candidate because the party would definitively not give them to Erundina. The national PFL would start considering the SP PFL, a long-standing ally, as a competent nucleus no longer requiring the intervention planned for after the elections. In spite of PFL President Jorge Bornhausen's objective declarations that his party will support President Cardoso in 1998, if the reelection amendment is approved, or will present its own candidate if there is no possibility of a reelection, members of the PFL leadership make a point of aiming their efforts in an opposite direction.

This thesis became stronger on 30 May. Paulo Maluf was in Brasilia, was granted a Health Ministry award for his anti-smoking efforts, attended a meeting of the Brazilian Progressive Party bloc, paid a visit to Chamber of Deputies President Luis Eduardo Magalhaes, and poured over him with praise for the PFL. The PFL leader in the Chamber, Inocencio Oliveira, immediately summarized his impressions: "Maluf is an alternative in 1998."

Either Oliveira will be admonished by his party's president or those who asserted that the experienced PFL is again betting on two different situations will be proven right.

The fact is that this scenario can create the appropriate atmosphere for Maluf's candidacy to the Presidency of the Republic and that of Quercia to the SP governorship. It would not, however, create an adequate atmosphere for a presidential reelection or the possibility of putting another PSDB candidate in office. This would also be threatening the political project already under way. President Cardoso would thus have to forget the reforms and all other proposals. His advisers are certain that in this way the administration would have met its end, and all that would have been left for it to do would be to watch the destruction of what is called "the megalomaniac project," which is nothing but the aspiration of obtaining respect abroad.

With Jose Serra as a strong PSDB candidate, Cardoso's situation changes entirely because the advantages attributed to Maluf become his. If he disputes the runoff with Erundina, Serra will have the vote of all who are defeated in the first round, and this shows that he has real chances of winning. Even if this does not occur, the electoral consistency to be shown by the party during the electoral campaign will grant the president a political victory, will make his political future possible, and will help him overcome the first obstacle to reelection.

Brazil: Recife Mayoral Candidates Appointed

PY0406153696 Sao Paulo AGENCIA ESTADO in Portuguese 2114 GMT 3 Jun 96

[Report by Angela Lacerda]

[FBIS Translated Excerpt] Recife, 3 Jun (AE) — The PFL/PMDB [Liberal Front Party/Brazilian Democratic Movement Party] coalition today launched Federal Deputy Roberto Magalhaes (PFL) as candidate for mayor of Recife during a ceremony designed to demonstrate political and electoral strength in this capital. The ceremony was attended by Vice President Marco Maciel; PFL President Jorge Bornhausen; Deputy Inocencio Oliveira, PFL leader in the lower House; former governor Joaquim Francisco (PFL); and Recife Mayor Jarbas Vasconcelos (PMDB).

Magalhaes and Vasconcelos, former rivals in the past, exchanged praises and defended an alliance to support the Cardoso administration. Magalhaes leads all the polls indicating that he could win the elections on a first round.

So far, Magalhaes' contender is State Deputy Joao Braga, from the PSDB [Brazilian Social Democracy Party], former infrastructure secretary of the Vasconcelos administration, who broke away from the mayor because the local PSDB section rejected a coalition with the PFL. [passage omitted]

The vice mayor candidate on Magalhaes' ticket was nominated by the PMDB: It is Raul Henri, 31, former Recife Culture Foundation president, who is a personal friend of Vasconcelos. [passage omitted]

Brazil: Possible Party Alliances in Blumenau Seen

96SM0333D Blumenau JORNAL DO SUL in Portuguese 31 May 96

[Received via Internet]

[FBIS Translated Text] Blumenau—The presence in Blumenau last Wednesday of Regional PDT [Democratic Labor Party] Board President Dercio Knopp and his meeting with Decio Lima, PT [Workers Party] candidate for mayor, reopens the possibility that the two parties will join forces in this year's elections. Knopp's visit is the result of the reaction of party stalwarts to the

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position taken by Wilson Lang, president of the provisional committee of the PDT, who favors an alliance with the PL [Liberal Party]. Other than Lang, few in the party will agree to swap the PT for the PL. The PT candidate expects an answer from the PDT by next Tuesday.

Sasse and Kleinubing on Different Platforms

Starting from the premise that it would ensure the best for Blumenau, the PL is now much more inclined to back the mayoral candidacy of Dalirio Beber (PSDB) [Brazilian Social Democracy Party], representing the Viva Blumenau coalition, over Wilson Wan Dall (PPB) [Brazilian Progressive Party], who is running for mayor under the Union banner. This position was confirmed yesterday by former Mayor Vitor Sasse, who was elected along with Senator Vilson Kleinubing (PFL) [Liberal Front Party] to govern the city in 1988 and ended up succeeding the latter following Kleinubing's resignation to run for the governorship in 1990. Running mates in that election, the two will probably be on different rostrums this year.

According to Sasse, who also serves on the party's municipal executive board, Wan Dall is a good candidate but lacks the support of someone with administrative experience who could be his running mate. The problem, he said, is that this aspect was not considered by the Union when it selected its candidate for vice mayor. The former mayor noted that all the names the PL suggested to lend governability to the alliance's majority slate were ignored.

Sasse believes that Dalirio, on the other hand, is well-qualified to run the city, and not just because of his administrative experience. According to Sasse, after the Union closed the door to dialogue, it was natural for the PL to turn to the Viva Blumenau candidate. The former mayor thinks it is unlikely that the PL will change its mind when Kleinubing visits Blumenau next Monday. His personal ties to Marcio Felsky would not be enough to change the party's position, he said.

Sasse suggested that support for Dalirio is virtually secure within the PL, which is only waiting for nomination of the vice mayoral candidate to make it official. Sasse thinks this is likely to occur within two weeks. A new factor in light of the current situation would be a decision by the PTB [Brazilian Labor Party] to join the PL and the PDT. That, the former Blumenau mayor said, might even result in an independent slate backed by all three parties.

Brazil: PMDB/PL Alliance Confirmed in Vitoria

96SM0333C Vitoria A TRIBUNA in Portuguese 31 May 96

[Article by Rosa Blackman: "Alliance Between Luiz Buaiz and Rita Camata Is Certain" — received via Internet]

[FBIS Translated Text] The alliance between the PMDB [Brazilian Democratic Movement Party] and the PL [Liberal Party] and, consequently, the Rita Camata-Luiz Buaiz majority slate has now been confirmed. Although both legislators deny it, partisans from both sides insist that the matter has already been settled.

The official announcement of the ticket, however, will not be made until tomorrow at 0900 hours, during the PMDB meeting at the Municipal Legislature of Vitoria. This is because Luiz Buaiz has asked for time to convey his decision personally in talks with the allied parties—the PPB [Brazilian Progressive Party], PFL [Liberal Front Party], and PDT [Democratic Labor Party].

Buaiz meets today (at a time and place as yet undecided) with Deputies Luiz Durao (PDT), Nilton Baiano (PPB), and Jose Carlos Gratz (PFL). He intends to announce his decision to the press right afterward.

Municipal PMDB President Huguinho Borges said yesterday that the party is not wavering in its determination to announce its candidate tomorrow. "Either Rita Camata or Ricardo Ferraco, we will make the announcement. We are working for unity. The party convention will simply ratify the slate," he added. The convention is scheduled for 22 June.

As for the alliance with the PL, Huguinho would say only that the possibilities of a PMDB/PL union increased following the decision by the PT [Workers Party] to reject a coalition with the PMDB. "This is, in fact, the tendency," he added, but was unwilling to say so openly.

As for the other parties—associated, until now, with the PL—the president explained that a compromise will probably be reached to ensure that the group can run the largest number of candidates in the proportional-representation elections. The first possibility under consideration is to forge a PMDB/PL/PTB [Brazilian Labor Party] coalition, possibly including the PC do B [Communist Party of Brazil], and a "white alliance" with the PPB, PFL, and PDT—but with everyone working on the Rita Camata-Luiz Buaiz campaign.

"We are going to settle the matter according to the new election laws," he observed. These new laws provide that regardless of the number of parties in the group,

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each party or coalition may run a maximum of 25 candidates.

Brazil: PMDB Firms Up Slate in Recife Mayoral Race

96SM0333A Recife DIARIO DE PERNAMBUCO in Portuguese 31 May 96

[Received via Internet]

[FBIS Translated Text] The soap opera is over: the regional executive board of the PMDB [Brazilian Democratic Movement Party] announced yesterday that Raul Henry, president of the Culture Foundation of the City of Recife (FCCR), will indeed be its candidate for vice mayor on the slate headed by Deputy Roberto Magalhaes. This development was anticipated by DIARIO DE PERNAMBUCO 20 days ago—even though, at the time, Mayor Jarbas Vasconcelos was keeping his preference for Henry a secret. Jarbas continued this strategy yesterday by delegating the authority to make the choice to the PMDB; it ultimately came about by unanimous vote of the members of the executive board. The Roberto Magalhaes-Raul Henry ticket will be presented to the press on Monday at 1500 hours, at a press conference at the Journalists' Union building.

The meeting of the PMDB executive board was opened by the secretary of tourism, State Deputy Carlos Eduardo Cadoca. Cadoca was assigned to read a letter from Secretary of Health Guilherme Robalinho in which he took himself out of the "contest" for the party nomination. A similar decision was announced by PMDB Regional President Dorany Sampaio. "No one wanted to run. We are beginning a campaign to build on the broader interests of Recife and of Pernambuco," Dorany argued, adding that there had never been a contest.

Unity

By dint of plenty of conversation, Mayor Jarbas Vasconcelos achieved internal unity, since all the precandidates are not just his allies, but friends. At first, the list of potential candidates for vice mayor read as follows: Raul Henry, Guilherme Robalinho, Carlos Eduardo Cadoca, Dorany Sampaio, and Roberto Pandolfi (secretary of infrastructure). Early in the week, Cadoca and Pandolfi announced they were not willing to leave their posts in the city government. That left Henry, Robalinho, and Dorany, but yesterday in Brasilia Jarbas Vasconcelos reduced the choices to the president of the FCCR and the president of the PMDB. This was just to keep up the suspense. Behind the scenes at City Hall, a very few doubted Henry would be "the name." They were wrong.

Raul Henry spent the past 45 days gathering expressions of support for his candidacy, a movement that started with artists and producers of cultural events. In the past two weeks, however, the PMDB delegations in the municipal and state legislatures produced their own statements. This was the backing Mayor Jarbas Vasconcelos was expecting; he left the decision until shortly before the deadline set for those who intend to run for election in October to resign their current public offices.

Also present at the meeting of the executive board—besides the PMDB leaders—were the state deputies and all the city councilmen—who will now go on to debate the best way of putting together the proportional representation slate. Besides the PFL [Liberal Front Party] and the PMDB, Roberto Magalhaes's campaign will probably receive a boost from the PTB [Brazilian Labor Party] and PPB [Brazilian Progressive Party]. This will make the coalition eligible for the largest chunk of free campaign air time in Recife.

[Box]

Maluf Comments on Candidate by Brasilia correspondent Magno Martins

Sao Paulo Mayor Paulo Maluf, the top PPB leader at the national level, told DIARIO DE PERNAMBUCO yesterday that his preferred candidate for mayor of Recife is Deputy Roberto Magalhaes, but asserted that at no time will he interfere or pressure the state executive board to withdraw the candidacy of Deputy Pedro Correa. "The Pernambucan PPB has the right to decide independently what it thinks best. Personally, I have a favorite candidate, and that is Roberto Magalhaes," Maluf said, adding that he had already disclosed his position to the legislators who are members of the party in that state and to Correa himself, who is insisting he will not withdraw.

Maluf spent yesterday in Brasilia making contacts in Congress. He said he will leave the directors of the Pernambucan PPB free to do as they see fit, and emphasized that it is not in his plans to force Pedro Correa to ally with Magalhaes, whom he praised lavishly, observing: "He is a distinguished man, he was a good governor of Pernambuco, and deserves the full confidence of all of us in the race for mayor of Recife."

The Sao Paulo mayor said, further, that he sees no problems if the PPB were to form a coalition in Recife with the PFL because of the affinity between the two. "We, of the PPB and they, of the PFL, are from the same family tree; we were always together in the past and there are a lot of common points that unite us," he said.

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About the PFL's accord with the PPB in Sao Paulo, Maluf said there is no turning back, even if the top national leadership of the PFL tries to intervene with the Sao Paulo state executive board. "You do not break a promise. I have a lot of respect for the national leadership of the PFL, but we have reached an understanding in Sao Paulo and there is not the slightest possibility that the alliance will be broken up," he insisted. Maluf also predicted that Celso Pita, his candidate in Sao Paulo, will make it into the second round and have a real chance of victory, whether or not Jose Serra decides to run. "We have already qualified for the second round," he pointed out.

Brazil: BB President Comments on Recovery Operation

96SM0328C Rio de Janeiro JORNAL DO BRASIL in Portuguese 30 May 96

[Article by Jose Ramos: "BB Will Have To Show Efficiency" — received via Internet]

[FBIS Translated Text]**The failure of its capitalization program forces the bank to show a profit, says Ximenes.**

Brasilia—The failure of the Bank of Brazil's capitalization program will force the institution to be even more radical with its plan for administrative recovery as it searches for profits. According to Paulo Cesar Ximenes, the bank's president, the solution now is to show results. "While the BB [Bank of Brazil] showed poor results before, the only way it can recover now is by action. We will have to show good results to make it clear to the public that there have been changes," Ximenes told JORNAL DO BRASIL.

According to Ximenes, the chief administrative measures that the bank will adopt to reverse its losses are continuation of the program for debt collection, technological modernization, and expanded activities in the area of supplementary welfare, a growing field in our country. "This will be a job for the medium and long term, since we cannot promise profits overnight," he warned.

The president of the BB says that the National Treasury, which will have to inject over 6 billion reals into the bank's capital, is not going to lose from the institution's recovery program. "The Treasury will gain in the future from high share values when the bank presents its results," he predicted.

Ximenes claimed that the Treasury would not sell the shares now being acquired until the market was in a position to absorb the sale without harming other shareholders as a result of the drop in share prices. He did not say how long that would take.

The BB's recovery operation was criticized yesterday by members of the congressional investigating committee that is looking into pension funds. Ximenes, who was summoned to explain the BB's relationship with Previ (the bank employees' pension fund), heard criticisms from Deputy Cidinha Campos (PDT [Democratic Labor Party], Rio de Janeiro), who attacked federal help for the bank. The deputy also criticized the bank's agreement with the Ministry of Social Security, which has had to pay 1.25 billion reals on loans contracted by the BB and which has not been compensated.

Deputy and former bank employee Jose Pimentel (PT [Workers Party], Ceara) defended the agreement but accused Ximenes of having chosen the wrong strategy for straightening out the BB. "Capitalization failed because the bank announced a loss equaling the amount of the call for capital," the deputy said.

Pimentel explained that last year the employees' representatives had drawn attention to the problems and recommended a capitalization of only 800 million reals and a renegotiation of debts. The BB rejected that capitalization proposal, preferring to play tough with its debtors. "Since there was an increase in loan defaults throughout the economy, the result was what we saw," Pimentel commented.

Brazil: Cost of Bank of Brazil Bail-Out Examined

96SM0328D Sao Paulo O ESTADO DE SAO PAULO in Portuguese 29 May 96

[Editorial: "The Cost of Strengthening BB's Capital" — received via Internet]

[FBIS Translated Text] Increasing the Bank of Brazil's [BB's] capital is going to be very expensive for the Treasury. The latter, having to subscribe most of the 8-billion-real total, made use of some financial engineering that will certainly not provide the Bank of Brazil with new funds. So the result will be merely a nominal increase in capital.

The basic mistake was to offer the shares at a price above that being quoted on the stock exchange just as the bank was announcing a loss of 1.6 billion reals for the first quarter of the year. Calculations are that at best, the loss by the end of the second quarter will not be less than 5 billion reals. The monetary authorities used odd methods to try to stimulate purchases of those shares just before the operation ended by offering a bonus for subscribing securities in a future increase in capital—a stimulus which, incidentally, did not work. Although recourse was had to Previ (the BB's pension fund), a

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large amount remained unsold in an operation which, even by international standards, was very extensive. In the second operation for selling shares—it ended on Friday—it was not possible to sell anything more than from 30 million to 40 millions reals worth. As stipulated, the Treasury, which has already invested 2.2 billion reals in the increase in capital, will have to come up with approximately 2 billion reals more to offset the Bank of Brazil's accumulated losses.

This strengthening of capital is not likely to change the situation of the government bank, which will have to set aside 6 billion reals as a reserve for doubtful debts, as is acknowledged by the Bank of Brazil's management. The management believes that thanks to the new inflow of capital, the situation should change completely during the second quarter and allow the bank to start showing a profit again and to sell the public those shares held by the Treasury, which now owns 29 percent of the capital.

To subscribe the approximately 2 billion reals in shares that were not sold, the Treasury does not intend to use monetary issues. Because of that, it made use of some financial engineering which is not likely to provide the Bank of Brazil with the funds needed for its reorganization. In fact, it will issue the total in the form of NTN [National Treasury Note]-J's, which have a higher yield than other government securities. But those securities will be acquired by the Bank of Brazil itself and then turned over to the Treasury, which will try to sell them on the market as soon as the BB's situation improves. The question is whether, with the funds tied up in its assets, the government bank will be able to straighten out its situation in any way except at the accounting level. By means of this operation, the Treasury is merely postponing the disbursement that it will probably have to make, but with no guarantee of being able to resell the securities at the end of the year.

Brazil: Bank Performance Shown Better Than Expected

96SM0328B Rio de Janeiro JORNAL DO BRASIL in Portuguese 30 May 96

[Article by Liana Verdini and Fabio Alves: "Banks Sailing in the Black" — received via Internet]

[FBIS Translated Text] Profitability declined in 1995, but performance, according to the FGV [Getulio Vargas Foundation] and the Austin Asis consulting firm, is far above that of the firms.

The year 1995 was marked by turbulence in the financial market: there were bank failures and a downsizing of the sector due to the reduction of inflation to its lowest level since 1957. Analysts were expecting very meager profits on the balance sheets. But the results published yesterday by the Getulio Vargas Foundation in Rio de Janeiro and the Austin Asis consulting firm show that the financial system did very well, thank you.

According to Austin Asis' calculations, the profitability of the banking sector amounted to 11.37 percent in December 1995. The balance sheets of 162 banks were examined. The average profitability of the 400 nonfinancial firms surveyed—representing 22 sectors of the economy—was only 2.6 percent.

"Although lower than in 1994, the profitability of the banks was still very high compared to nonfinancial firms," said Mario Alberto Dias Lopes Coelho, director of Austin Asis. In 1994 the banks had one of the best years in their history, with profitability amounting to 15.31 percent. According to him, the end of the so-called float (financial gains due to inflation) and greater economic stability eroded the system's profits last year, but not enough to take away Brazil's title as one of the countries where banking activity is most lucrative.

The FGV's figures point in the same direction. The 194 banks that had published their balance sheets through April showed a profit of 10.63 percent, not including the Bank of Brazil. And the 250 nonfinancial firms had profits totaling 3.4 percent.

"The banks lost profitability, but they still show good results compared to the figures from firms in the productive sector," said FGV economist Sergio Gustavo da Costa. Last year was dominated by the intervention in Banco Economico in August and the sale of Banco Nacional to Unibanco in November.

Smaller banks—The greatest decline occurred in the smaller banks. The FGV's survey indicates that out of the total sample, 133 banks have assets totaling less than 840 million reals. That group's profitability amounted to 4.3 percent last year, compared to an indicator of 20.2 percent in 1994.

"The smaller banks suffered more than the big ones from the economic stabilization process," he said. But there are exceptions, as the economist points out. They are the ones that specialize by choosing one segment of the market in which to operate. "But on average, the smaller banks reported poor results," Costa said.

"The profitability of Brazilian banks is higher than that of their counterparts abroad. One need only recall the large number of foreign investors trying to invest in our domestic market to take advantage of the high return on investments," said Austin's Mario Coelho. Although the end of inflation and of high nominal interest rates reduced their astronomical profits, the banks maintained a good level of profitability last year by increasing their fees to make up the difference. "What the banks lost on

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the float they gained by increasing their fees for such things as checks and statements," he explained.

Ten Largest Banks (in billions of reais)

Bank	Total assets	Share (percent)*
1. Federal Savings Bank	80.413	19.052
2. Bank of Brazil	80.086	18.975
3. Bradesco	28.866	6.839
4. Unibanco	21.629	5.125
5. Itau	19.929	4.722
6. Bamerindus	14.289	3.386
7. Rio Grande do Sul State Bank	12.160	2.881
8. Banco Real	10.685	2.532
9. BCN [expansion not given]	9.131	2.163
10. Our Savings Bank-Our Bank	8.730	2.069

* Total assets of 194 banks: 422.071 billion reais.

Source: FGV.

Compared to the performance of other sectors of the economy, the profitability achieved by the banks last year does not justify the loud talk by many bankers that 1995 was a difficult year. Much less the help given by the Federal Government. According to the survey by Austin Asis, the agricultural sector was one of those that suffered the most, with an average profitability of 1.6 percent. The textile industry reported profitability of 3 percent, electroelectronic products 3.5 percent, the food industry 3 percent, trade 10.5 percent, and tourism 7.6 percent, among others.

Investment diversification by the banks also enabled them to maintain their high profitability last year. According to Coelho, a consultant at Austin Asis, shareholding interests in firms and industries in other sectors of the economy improved the profits of many banks. "Some banks went looking for profits outside their niche," he said. Balance sheet data provide a good illustration of that trend: shareholdings in firms affiliated with and controlled by 162 banks last December totaled $2.9 billion. The figure was $2.2 billion in 1994 and $2.1 billion in 1993.

Although profits remained at high levels last year, the banks continued to downsize their structures, chiefly by laying off employees: 66,000 employees were laid off throughout the country last year.

Brazil: MIT Economist Scores Economic Policy

96SM0328A Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 May 96

[Article by Denise Neumann: "Dornbusch Prescribes Adjustment" — received via Internet]

[FBIS Translated Text] *A Brazilianist from MIT criticizes the high interest policy and the overvalued exchange rate.*

The Real Plan needs adjustments. The economic team should adopt economic growth as one of its objectives. It should not restrict itself to controlling inflation, according to Rudiger Dornbusch, the economist from the Massachusetts Institute of Technology who was participating in a debate on "Brazil's Prospects in the World Economy." In his opinion, annual inflation of 20 percent would be more in line with the country's needs than the "insane" pursuit of one-digit inflation.

Dornbusch sharply criticized the plan. He said that "stability is incomplete." Under the current policy of high interest rates and an overvalued exchange rate, "bankruptcy is certain," he said. The U.S. economist asked that the economic team show "common sense."

Affonso Celso Pastore, former president of the Central Bank, and Daniel Dantas, president of Opportunity, also pointed to high interest rates and the exchange rate as being critical points in the plan. However, both outlined a scenario less dramatic than that presented by Dornbusch.

In Pastore's view, the possibility of a foreign exchange crisis in our country exists. He also recommends an adjustment aimed "at growth." Dantas focuses his risk analysis on the external scene. "We will have an external crisis," he said. Dornbusch made it clear that he was advocating not inflation but growth. He cited the example of Chile, which for many years lived with an annual inflation rate of 20 percent and annual growth rates of between 6 and 7 percent. Emerging countries need "common sense, something which, in Brazil, means realizing that growth cannot be postponed."

In Pastore's view, there is no possibility of growth without changes in the interest and foreign exchange policies. The former president of the BC also criticized the excessive amount of international reserves. By his calculations, at least $25 billion in reserves (nearly 50 percent of the total) can be considered "excessive." "The

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fiscal cost is too high," he noted, pointing out that the reserves are being financed at an annual interest rate of 15 percent.

In Dornbusch's view, the government and the public need to ask what the effects and costs of the current economic policy are and decide whether they do or do not want to pay the bill. "Combating inflation is chic, but what is the benefit of that policy if, in the final analysis, the situation in Brazil ends up like the one in Mexico?" the MIT economist asked.

Brazil: Economists View Real Plan With Pessimism

96SM0322A Rio de Janeiro JORNAL DO BRASIL in Portuguese 23 May 96

[Interview with MIT economist Rudiger Dornbusch by Claudia de Souza; date and place not stated: "The Heaven and Hell of the Real"; followed by unattributed article "Safety Below What Is Needed" and article by Fabio Alves: "Pastore Wants Sharp Adjustment" — received via Internet]

[FBIS Translated Text] Economists view with pessimism the current phase of the economic program, which the Ministry of Finance is defending tooth and nail.

The administration has been trying to eliminate the wave of pessimism surrounding the economy. Its efforts have, however, been in vain. During a seminar in Sao Paulo yesterday, three heavyweight economists—Rudiger Dornbusch, Affonso Celso Pastore, and Daniel Dantas—not only swelled the chorus of pessimists but also made cloudy predictions concerning the Real Plan. The American Dornbusch was outspoken in saying that the control of inflation in Brazil is artificial. The result, he warned, is that it will not continue, particularly if the government continues to spend more than it takes in, help the banks, and paralyze production with high interest rates. "Doing crazy things to control inflation is a very dangerous policy. One cannot neglect growth," said Dornbusch, who feels that Mexico's collapse should serve as a lesson. As spokesman for the fathers of the real, Jose Roberto Mendonca de Barros, secretary of economic policy in the Ministry of Finance, admitted that adjustment of the public sector has been slow, but he refuted the pessimism of the economists with figures showing that interest rates are coming down, the fiscal situation has improved, inflation has fallen, and foreign investments are up.

[Souza] You spent years arguing that the Brazilians lacked the political will to make a serious adjustment to the economy. Now that we are at the peak of austerity, you say we should have inflation and growth. What has changed?

[Dornbusch] I was not trying to be unnecessarily controversial. But Brazil is not at the peak of austerity. The country is controlling inflation by means of a highly overvalued currency. There is, however, a big unsolved problem. The administration has replaced one thing with another. Interest rates are lower than they were last year, but they are still extremely high. Excessive interest rates are killing economic activity.

[Souza] Is the administration doing its part?

[Dornbusch] The fiscal adjustment is very limited, and this is also a problem that is still unsolved. Nothing has been done in the field of privatization. Everyone is talking about the auctioning off of Light [Power Services, Inc.], but what about the rest? The country is not doing well as far as the reforms are concerned.

[Souza] Is the real in danger?

[Dornbusch] Everyone feels that the work has been done and that everything is going to be wonderful just because inflation has been brought under control. Actually, that stabilization has been achieved with borrowed money. It does no good to control inflation by overvaluing the currency and pushing interest rates up. Low inflation must be won, and it must be a concrete rather than an artificial result of government measures. That is why it is difficult in Brazil to achieve economic growth. And that is also why Brazil cannot achieve financial stability. The world is still waiting for Brazil to straighten out its economy once and for all.

[Souza] Wasn't the trick involved in the Real Plan precisely the fact that it has kept the exchange rate overvalued?

[Dornbusch] But that has not helped anything. Someone needs to tell me how the country is going to free itself of that overvalued real, which is making exports difficult and causing economic activity to shrink. It is necessary to guarantee growth not only in product but also in per capita income. In the long run, the current economic policy will lead the country into even higher interest rates because the country is continuing to borrow capital abroad. The disaster may not happen in one month or three months, but it will happen.

[Souza] So there are reasons for all that pessimism?

[Dornbusch] Brazil has truly serious problems at the moment. All this fuss over the Real Plan is a little exaggerated. if, instead of having high inflation, we have two new problems—an overvalued exchange rate and extremely high interest rates—no progress has been

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made. The public sees only the low inflation rate; as far as it is concerned, foreign exchange is an abstraction, and interest rates are also relatively abstract. But those are two serious problems which are going to cost the country a fortune.

[Souza] Should the government encourage exports, as the businessmen want?

[Dornbusch] That would create even more distortions. It is not the answer. Part of the answer lies in continuing the gains in productivity.

[Souza] What would you do if you were the government?

[Dornbusch] The thing to do now is balance the public budget, pursue a very aggressive privatization policy, and maintain an exchange rate that will be competitive and genuine but low interest rates. That is the first step. Next, control and supervision of the banking system and administrative reform would be important—those are all things that the government talks about but does not do.

[Souza] What should the Central Bank do?

[Dornbusch] It is necessary to devalue the real at a faster rate. That is terrible but necessary. It is like going on a diet when you are too fat. It is not good for either inflation or stabilization, but it is necessary, otherwise the country will wind up like Mexico, with a crisis of the same proportions.

[Souza] Do you really feel that the country can give up low inflation and loosen controls in order to grow?

[Dornbusch] If the situation continues as it is, everyone will go bankrupt. And the government will find itself forced to absorb the financial system. There is a fantastic amount of money that could be spent on education rather than on the purchase and absorption of banks. What exists is a very artificial program that is keeping things as they are, and the situation may continue for another year. But it is artificial, and it is causing economic activity to shrink. All you have to do is look at what is happening in the footwear industry, which was geared to exports but is now in such bad shape.

[Souza] Is there again some danger that we will imitate Argentina, this time by destroying our industry?

[Dornbusch] Things are much more difficult in Argentina. Brazil has a lot more talented people. But when you get down to it, the president is wasting time and has already wasted too much time. Brazilian income per capita is the same as it was 15 years ago.

Safety Below What Is Necessary

Sao Paulo—Economist Daniel Dantas may be a professed defender of the Real Plan, but he also sees problems with the government's economic policy. At a seminar in Sao Paulo yesterday, he agreed with two illustrious economists: his former professor at the Massachusetts Institute of Technology and adviser to several governments and firms, Rudiger Dornbusch, and the former president of the Central Bank, Affonso Celso Pastore. The real is an overvalued currency, and interest rates are too high. The reforms are not making progress, and the country, although it possesses a large volume of foreign reserves, is vulnerable to a possible crisis of confidence among international investors or even a world crisis in the capital market.

"We could be better prepared for a possible external crisis. They have occurred with some regularity in recent years, and this time our margin of safety is below the desirable level," he argued.

In the opinion of Dantas, the biggest danger of a world crisis exists in the international capital market. "The financial sector is the most likely candidate for accepting the invitation," he said ironically, pointing out that since the 1970's, that sector has expanded at rates of 30 percent per year. Meanwhile, the national product of most countries has grown by only 3 percent per year. "Remuneration of the sector has been far out of proportion to its contribution to productive activity, and that represents a danger," he said.

Dantas also mentioned the unemployment rate and growing dissatisfaction with the administration as constituting problems for the real. He believes, however, that President Fernando Henrique does not need to worry about a decline in popularity but instead should pursue the reforms and change the thrust of the Real Plan wherever necessary. "The president does not need popularity right now; he will need it farther down the road, when the time comes for reelection. What he needs now is results."

In the economist's opinion, the controversy started by Dornbusch with his argument that Brazil is in a position to grow by 7 percent per year (rather than the 3.5 percent forecast for 1996) even if that means loosening monetary controls and allowing an annual inflation rate of 20 percent makes no sense at the moment. "Dornbusch is talking about an agenda for the country that will apply after the Real Plan is consolidated. At the moment, the danger that high inflation will return is too great. When inflation begins to rise, it is very difficult to reverse it. It is better to err by being overzealous and bringing interest rates down gradually and testing the results as one goes," he argued.

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Pastore Wants Sharp Adjustment

Sao Paulo—Keeping interest rates high and continuing the current exchange policy is unsustainable in the opinion of Affonso Celso Pastore, former president of the Central Bank. "High interest rates are causing stress in the private sector and are not contributing to fiscal equilibrium," he said during the seminar on "Brazil's Prospects in the World Economy." "It is necessary to change the monetary, exchange, and fiscal policies because staying on the current course will keep the economy stagnant."

Pastore pointed out that although the word "devaluation" is taboo to many people, experience in some other countries shows that they were able to devalue their foreign exchange without causing major problems. "I am not telling the government to devalue, but it is necessary to change the current exchange policy. And the necessary change is much smaller than is thought," the economist claimed, although he did not say what the ideal size of the devaluation would be. According to him, that change in the exchange rate could be produced if the appropriate monetary measures were adopted.

Reducing short-term interest rates from 30 percent per year in 1995 to the current 15 percent per year has not changed the country's situation. "The two interest levels are equally inhibitory when it comes to growth," he said. He explained that to make things worse, the structure of compulsory deposits that was put in place by the government throughout last year increased the cost of bank loans for the private sector. The result was a slowdown in industrial production, chiefly in the textile, capital goods, and construction industries. "There was very strong monetary contraction to offset fiscal expansion, and that had consequences as far as the exchange system was concerned."

Pastore emphasized the need for a sharp fiscal adjustment. Last year, even though tax revenues reached a record level of 30 percent of gross domestic product (GDP), the public operating deficit came to 5 percent of GDP, compared to the surplus of 1.3 percent recorded by the government in 1994. The increase in that deficit was due to increases in expenditures by the states, the Union's payroll, and the public debt," he said. Pastore said that the government did not have to wait for approval of the reforms now before Congress in order to implement fiscal adjustment measures. "Why doesn't the government accelerate the privatization program?" he asked.

Chile

Chile: Senators Return From Havana, View Helms-Burton Law

PY0406224696 Santiago LA TERCERA DE LA HORA in Spanish 4 Jun 96 p 8

[FBIS Translated Text] A delegation of four Chilean senators of the group that visited Cuba returned to the country yesterday after a six-day visit to Havana. These senators did not meet with Fidel Castro, however, because the leader of the communist revolution was visiting the interior of the country in an effort to increase the Cuban sugar harvest.

The senators, who visited schools and hospitals and met with Foreign Minister Roberto Robaina and other officials, were Manuel Antonio Matta, Roberto Munoz Barra, Jorge Lavandero, and Rolando Calderon.

Senator Munoz Barra explained that the new U.S. Helms-Burton law "poses pressure on the entire world" to prevent private investments in Cuba, posing an obstacle to entrepreneurial efforts.

[LA TERCERA DE LA HORA] What is your perception of the strengthened U.S. blockade?

[Munoz Barra] There is no doubt that the Helms-Burton law has extinguished a light that could be seen before the episode involving the airplanes. Businessmen from several parts of the world had expressed interest in making investments, but that law has discouraged them. In the Chilean case, there are only two important investors: Cardoen and Marambio (involving foodstuffs).

[LA TERCERA DE LA HORA] What effects did the law cause in the island?

[Munoz Barra] We can only acknowledge that when the United States strengthens the blockade, the effects are usually the reverse of what is intended. One of the effects is that the regime becomes more rigid, preventing the system from being liberated. Giving a realistic view, I believe that some 30 to 35 percent of the people in the island do not believe in communism. The problem is that while the other 65 percent have a leader — Fidel — the opposition has none, and its force fades away.

Chile: Defense Minister 'Satisfied' With Visit to France

PY0406141096 Santiago EL MERCURIO in Spanish 31 May 96 p C4

[Report by correspondent Andrea Desormeaux in Paris]

[FBIS Translated Excerpt] Chilean Defense Minister Edmundo Perez Yoma on 30 May asserted that Chile

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is engaged in an international integration process at all levels, including the military.

He added that the country has been very successful in this task in the diplomatic field and that its commercial opening, through treaties such as Mercosur [Common Market of the South] and NAFTA, is fully under way. Therefore, he added, it is important that the defense sector also attain more cooperative relations at the international level.

Perez Yoma thus referred to the visits he paid to Germany, Belgium, France, and Great Britain during the past year and the ones he will pay to the United States, Argentina, Spain, Sweden, and Russia in the future.

Perez Yoma ended a three-day official visit to France on 30 May and will start his visit to Great Britain today.

The defense minister invited his French counterpart, Charles Millon, to visit Chile at the end of the year, "probably in November or December," to tighten bilateral relations which he termed excellent.

Perez Yoma said that this will "probably be the first time a French defense minister visits our country, which is a sign of the normalization of our relations after the Mururoa developments."

The minister said that during his meeting with Millon he did not raise the subject of the nuclear tests in the Mururoa atoll that last year prompted Chile to lodge a protest. "We did not deem it necessary. Precisely last year, I suspended a visit to this country for that reason. Now that the tests are over and France has the zero option we are very happy and believe that the current French policy regarding nuclear energy is highly satisfactory."

He added that relations between Chile and France are normal.

Perez Yoma said: "I am leaving very happy and satisfied." During his stay in France, the defense minister signed a military cooperation bilateral agreement that includes a consultation mechanism and broadens the exchange of military training programs between the two countries.

He said that "those defense agreements between ministries are something relatively new that we started to sign this year. The first one was with the United States. We have also signed one with Argentina, Germany, Belgium, and we are going to start negotiations to sign a similar agreement with Great Britain."

The minister also referred to the replacement of Army Commander General Augusto Pinochet, scheduled for next year. He said that will take place "with absolute normalcy." [passage omitted]

As for a possible purchase of French materiel, Perez Yoma said that "any Chilean purchase of materiel is done over a long period of time, which is well-known. We have always tried to do things as openly as possible. We are disclosing all our needs for the long term." [passage omitted]

Chile: Envoy Asserts Businesses To Remain in Cuba

PY0406141396 Santiago LA TERCERA DE LA HORA in Spanish 2 Jun 96 p 37

[FBIS Translated Text] Cuban Ambassador Aramis Fuentes said on 1 June that the Chilean investors will keep their businesses in Cuba, despite "the pressures of the U.S. Government" to harden the embargo on the island through the enforcement of the Helms-Burton law.

The law includes, among other things, sanctions against companies and investors of other countries that conducted business involving properties that were confiscated by the Castro regime.

Fuentes said that after meeting with Chilean businessmen, they confirmed their willingness to continue to invest in Cuba.

Fuentes said there is a "black list" prepared by U.S. officials of the companies that have businesses in Cuba, in addition to letters sent to the companies that trade with the island warning them about the possibility of facing sanctions. One of the sanctions would be the prohibition on executives and company owners who were warned to enter the United States.

Fuentes praised the Chinese Government's support for Cuba by rejecting the Helms-Burton law because it violates the principle of free trade.

Chile: State Bank Expands Credits for Exports to Cuba

PY0406172096 Santiago LA TERCERA DE LA HORA in Spanish 31 May 96 p 27

[FBIS Translated Text] The State Bank [Banco del Estado] yesterday confirmed that in April 1996 it renewed for one year — and for the second time — a line of credit to promote Chilean exports to Cuba. Moreover, this state financial institution rejected a report issued by Independent Democratic Union (UDI) Deputy Ivan Moreira about alleged irregularities in the handling of that line of credit.

Deputy Moreira said that the state bank has carried out those operations "with absolute secrecy because top executive officials of the State Bank refuse to release

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any type of information on the credit, arguing banking secrecy."

In response to Moreira's accusations, the State Bank explained that in January 1994 an agreement was reached with the Cuban National Bank for the establishment of a credit line for one year to finance exports of Chilean products to that nation, for a maximum amount of 17 million German marks.

The bank explained that this financial operation was conducted in accordance with international practices and within the rules of the appropriate national organizations.

"On providing a financial operation of this nature, the State Bank complies with the essential guideline of contributing with the development of the Chilean exporter's effort, expanding the foreign markets," it said.

The bank added that the agreement establishes that the State Bank will pay the Chilean exporter in cash for the respective export letter of credit once it is confirmed, and that the Cuban National Bank thus becomes the debtor of the State Bank, within the conditions of the credit line, both in the deadline to pay for this credit and in the interest rate.

It said that of the 38.1 million German marks (approximately $24.6 million) the bank has provided in this line of credit, 70.5 percent has been used to finance exports of fishmeal, 10.8 percent to export frozen fish, while a lesser percentage was earmarked for the sales of steel plates, newsprint, fruit pulp, onions, and oregano.

This financial institution has reported that in the beginning the letters of credit that could be financed with this credit line should correspond to foodstuff produced and exported to Cuba by Chilean companies. Nevertheless, in April 1995, the bank decided to renew this line of credit for one year, expanding the amount to 23 million German marks (some $15 million) and including the possibility of financing the letters of credit for exports of Chilean raw material.

The bank added that ever since this agreement was implemented (a little more than two years ago) more than 21 letters of credit have been negotiated, nine of which were paid in due time, seven which are still in effect, and five which have been confirmed but have not yet been negotiated because the export cycle has not yet been completed.

It confirmed that the operations carried out through the State Bank represent only one part of total Chilean exports to Cuba. It added that the National Bank of Cuba has fulfilled all conditions established in the agreement, "especially concerning the deadlines for their financial obligations."

Chile: Pinochet's Son Proclaimed Senatorial Candidate

PY0506031996 Santiago LA TERCERA DE LA HORA in Spanish 2 Jun 96 p 15

[Article by Pamela Gutierrez G.]

[FBIS Translated Excerpt] Although congressional elections are a year and a half away, the Action for Chile movement on 1 June proclaimed Augusto Pinochet Hiriart, son of Army Commander General Augusto Pinochet Ugarte, a senatorial candidate for the Tenth Region (northern part). Candidates for seats in the Chamber of Deputies and for municipal councilmen were also proclaimed. [passage omitted]

Pensioners Party President Juan Antonio Torres also attended the ceremony. He announced that he will probably run for mayor of Puente Alto.

Colombia

Colombia: Prosecutor General Meets Visiting U.S. Official

PA0406205896 Santa Fe de Bogota EL TIEMPO in Spanish 4 Jun 96

[Received via Internet]

[FBIS Translated Text] U.S. Deputy Attorney General Marilyn Warren [name and title as published] met yesterday with high level Colombian officials to analyze the progress of the judicial cooperation programs between the two countries.

Warren, who arrived on Sunday, met first with Prosecutor General Alfonso Valdivieso Sarmiento, with whom she analyzed the progress of the judicial cooperation programs between the two nations.

Valdivieso, who described the meeting as routine, said that during the hour-long meeting, they basically analyzed the progress in each of the cases in which the United States is providing cooperation to Colombian authorities, especially in providing evidence.

Nevertheless, the prosecutor general said that for the time being there is no new agreement to provide new evidence against people being investigated in Colombia.

The evidence provided to Colombian authorities by U.S. judicial authorities is being used in the investigations and remains under the confidentiality of the proceedings.

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As this edition went to press, it had been impossible to contact the justice minister to learn about the topics discussed in his meeting with Warren.

Colombia: Envoy Says No U.S. Statement Made on Sanctions

PA0406194596 Santa Fe de Bogota EL TIEMPO in Spanish 4 Jun 96

[Received via Internet]

[FBIS Translated Text] Colombian Ambassador to the United States Carlos Lleras de la Fuente has stated that in his constant contacts with U.S. officials he has not received any official statement about possible trade sanctions if President Ernesto Samper is acquitted by the Chamber of Representatives.

"The U.S. Government," Lleras said, "has made known its extreme interest and attention in the process that the Colombian Chamber of Representatives is conducting to investigate President Samper, but at the same time it has expressed its support and respect for the country's democratic institutions and constitution."

LLeras indicated that the press reports that over the weekend linked the results of the investigation to possible economic sanctions would contradict the respect for Colombian laws and its Constitution that the U.S. Government has maintained to date.

"We trust that this support and respect for the Colombian Constitution will continue to be the cornerstone in the relations between the two countries," Lleras stressed.

Colombia: Valdivieso Views Samper Case, U.S. Actions

PA0406200196 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 4 Jun 96

[Interview with Prosecutor General Alfonso Valdivieso Sarmiento by news director Dario Arizmendi and unidentified reporters in Santa Fe de Bogota; from the "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Arizmendi] We greet Prosecutor General Alfonso Valdivieso Sarmiento. Good morning Mr. Prosecutor. Are you happy with the Constitutional Court's decision on the public vote of the congressmen who are trying the president?

[Valdivieso] I always said this was fine. I have thought that the public function of a congressman undoubtedly also includes taking direct responsibility for one's actions. Nevertheless, the previous situation was the practice in effect in Congress [words indistinct] once the Constitutional Court issued its decision. Undoubtedly, this is better than what existed before.

[Arizmendi] Mr. Prosecutor, both Patricia Lara in the "Looking at Things Well" column in this week's issue of CAMBIO 16 magazine and the current issue of SEMANA magazine refer to the possible miscalculation [desfase] by the Prosecutor General's Office in regard to the 3,187 billion pesos that reportedly entered the campaign of President Ernesto Samper Pizano, in an irregular manner. How much does the Prosecutor General's Office admit was an assessment error or mistake in the work of the experts?

[Valdivieso] When you say work, they were not issuing an accounting report or one in which the guidelines for handling this type of situation were being established. As you know, because of the [word indistinct] of the campaign, we were unable to analyze it properly. The balance sheets were not duly signed. There are balance sheets that are being used as evidence but [words indistinct] is one of the limitations of the investigation. It is an estimate of income and expenses and in this comparison, what we have surely established is that there could be some miscalculations because there were two types of receipts, and this led us to report some expenses twice, amounting to approximately 370 million pesos. Now then, there is talk of 800 million pesos that were not reported because there was no knowledge about the foreign accounts [words indistinct] the report of the experts. That is why that income figure does not appear. But at the same time, it should be clarified that figures or factors of expenses do not appear in it. Therefore, [words indistinct] possibly the maximum amount of miscalculation would be 370 million pesos. [Words indistinct] figures that were not provided to the Prosecutor's Office, and what I want to clarify is that this is not the basic problem. The basic problem definitely does not refer to the amount itself, even though the difference between the illegal origin income and the duly reported income is considerable.

[Arizmendi] According to SEMANA magazine, a Prosecutor's Office spokesman said that the miscalculation due to the double (?accounting) amounts to 800 million pesos. Now you mention 370 million pesos. Is that the last figure being mentioned?

[Valdivieso] Yes, from that point of view. As I said [words indistinct] viewpoint of the accounting report because it is important that this be analyzed within the context of the Prosecutor's Office investigation; that is to say, with regard to what the prosecutor asked the accounting expert to provide for analysis.

[Arizmendi] In the opinion of Luis Guillermo Nieto Roa, the president's lawyer, the experts also did not take into account the famous $1 million from the Overseas

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Trading Company of Panama that Fernando Botero admits he brought from New York via Panama.

[Valdivieso] Yes, I am referring to that. When some try to add the 800 million pesos to the 370 million pesos, I have explained that when the estimates were made, there was no knowledge of the accounts abroad. The Prosecutor's Office had only asked the U.S. Government to send those reports. When they arrived, the report had already been issued. This shows a miscalculation in regard to the evaluation of the income, but we must state with absolute certainty that it is absolutely clear that there was miscalculation in the report on expenses was [words indistinct], they were expenses for campaign expenditures, which do not appear in the report.

[Arizmendi] In regard to the United States, when do you expect the information from the Barclay Bank about the third account that Fernando Botero had abroad, an account that had significant activity?

[Valdivieso] We made a request at the initiative of the Prosecutor's Office. Contrary to what has been ill-intentionally reported, it was not as a result of the U.S. Government facing a judicial action from Fernando Botero, who opposed the presentation of those reports. Fortunately, the Prosecutor's Office achieved its objective. The request included all the accounts in the name of Fernando Botero. We do not know why the information requested by the Prosecutor's Office has not been sent. We do not know whether the account does not appear directly under Fernando Botero's name or whether the delay was just a mistake. Maybe the reason is the first instance, but in any case, we have again asked the U.S. Government to send us the reports on those accounts, and we are waiting for them to be sent.

[Reporter] What is your opinion on the debates currently taking place at the Chamber of Representatives to evaluate the case against President Samper, which originated from the charges filed by the Prosecutor General's Office?

[Valdivieso] I have noticed that many procedures are not clear. I believe that there have been too many delays [words indistinct] in some opinion groups that the lengthy sessions can become monotonous. I have had the opportunity to hear some of them, but unfortunately I cannot follow them entirely.

[Arizmendi] On 16 May 1996, during the continuation of Miguel Angel Rodriguez Orejuela's interrogation, he mentioned the offering of campaign funds. I will read the part pertaining to Andres Pastrana's campaign, and then I would like to hear your comments.

Miguel Rodriguez Orejuela said: A few days passed after which Giraldo called us to inform us that, although his efforts had been fruitless, he would still insist. We politely asked him why he was so interested in obtaining that money from us. Giraldo reminded us that Pastrana was his close friend and fellow-partisan; that he, Alberto Giraldo, considered himself a political friend of Pastrana, and that Pastrana was the strongest presidential candidate. He also reminded us — and this is the key part — that we contributed 10 million pesos through Giraldo to Pastrana's campaign for mayor of Santa Fe de Bogota. He also said that on the few occasions during Pastrana's mandate as mayor of Santa Fe de Bogota, when he needed a favor from him, he was very helpful, and that therefore, he reiterated his offer. We agreed. When he called us later on, he was a little disappointed and told us it was very difficult to contribute to Pastrana's campaign, because there were many controls.

Dr. Valdivieso: Did you find out anything about the contribution mentioned by Giraldo — according to Miguel Rodriguez Orejuela — given to Pastrana for his campaign for mayor and the favors that Pastrana, as mayor, supposedly did for Giraldo and the Rodriguez family?

[Valdivieso] Pastrana himself sent me a note that I received yesterday in which he placed at my disposal all the financial reports on his campaign and gave his own version of the subject. Eventually — if the prosecutors in charge of the investigation so decide — we will find out if those links existed or not. Anyway, he contacted us immediately. As I said, he called me Friday night, once he learned through the media about the contents of that legal document [pieza procesal] you just read, which is part of the confidentiality of the proceedings.

[Arizmendi] Independently of Pastrana's petition to the prosecutor general, and since the document was dated 16 May, had you taken any action in that regard and ordered a more thorough investigation?

[Valdivieso] Without disregarding your question, I would not like this matter to be handled suspiciously. Obviously, the Prosecutor General's Office investigates all the cases. You will, however, understand that this is a very complex situation, as many people have testified. This case will be investigated in the same manner we hope to investigate all cases. I do not believe that much time has passed since 16 May. As I said, as soon as I received the note... [pauses] I learned about this. I do not know all the details [piezas procesales]. The prosecutors are working on the case and will make decisions based on the contents of the [word indistinct]

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[Sarmiento] Although the Chamber of Representatives' has authorized your participation in the debates, you have said that you will not participate. Now that some of the legal documents [piezas procesales] are being questioned, specifically these that have to do with the experts' report [dictamenes periciales], would you reconsider that decision and eventually use the opportunity to defend your evidence before the Chamber?

[Valdivieso] No. I would like to stress two aspects concerning my decision: Independently of what you said [word indistinct] because there was also questioning during the phase of the investigation conducted by the Accusations Committee. I must say that it is not my obligation to participate. In my opinion, it would be totally inappropriate. The fact that I did not take part in the process, that I did participate in the investigation, makes it totally improper. I reiterate this opinion with regard to the president's defense attorney. In addition, I must say that the presentation of charges [denuncia] is undoubtedly a [word indistinct] which calls for an investigation; at least that is what happened in this case. Participating in a process, however, in which the Prosecutor General's Office was not in charge of the investigations, in my opinion, is totally absurd. I would even say that it would be inadmissible. The Prosecutor General's Office knows that its document presenting the charges is sufficiently serious, but the course of the investigations will determine the [words indistinct] presented during the investigation process.

I am not going to give a show. I am not going there accepting an invitation that as I have repeatedly said seems to be absolutely contrary to (?due process) because in this evaluation phase of the process only [words indistinct] can participate. Congressmen, as prosecutors, are the ones who must make the decision because of the case being evaluated. My presence there could nullify the process, which I believe should not be done. As I said, this is my position which I hope will be accepted, with regard to the presence of the prosecutor general and the president's defense attorney. I reiterate this position, even though some people would say that there is no specific rule on this, because in my opinion it would be against the regulations. This cannot be done under the pretext that this is supposedly a trial against the president, when the process is in the phase of evaluating the investigation.

[Reporter] Would you agree with the penal part of the process directly reaching the Supreme Court of Justice, in other words should Congress let the Court make the final decision regarding the charges you filed, which you have described as serious?

[Valdivieso] That is what the Chamber's analysis is all about. The Chamber's responsibility is determining whether or not there is merit to submit the case to the Supreme Court of Justice, according to procedures. That is specifically the decision that the Chamber must make. Therefore, if I declared myself in favor of that action, I would be expressing my opinion on an investigation I did not conduct. Remember that it is not my responsibility as prosecutor general to investigate the president of the republic. Therefore, I cannot express my opinion because, as I said, the Prosecutor General's Office was not in charge of investigating the president of the Republic. Congress must decide whether or not the case should be sent to the Supreme Court of Justice.

[Arizmendi] How should we interpret a letter — parts of which have been published in the media — that Santiago Medina sent to you as prosecutor general, but in a very friendly manner. The letter more or less said: Dear Alfonso: I would like you to help me expedite the process. Do you know of this letter? Is it legitimate, and what are your comments about the way in which Medina addressed you? How close are you, for him to address you in those terms?

[Valdivieso] First of all, I have no close relationship with him. Second, you know what I know. Those questions are undoubtedly related to a situation, which, as you know, occurred a long time ago. Unfortunately, now you are asking me that question in a malicious way. I say this because the president's defense lawyer asked me the same question with the same maliciousness. I absolutely have no friendly relations with him [words indistinct] in those terms is his conduct. There is no reason to believe that there is any commitment or relation as hinted in your question.

[Arizmendi] Is there anything wrong with asking?

[Valdivieso] Yes sir, you know what I am talking about.

[Reporter] How are the investigations conducted by the Prosecutor General's Office into the murder of Elizabeth Montoya de Sarria going? Has there been any progress?

[Valdivieso] I believe the investigation is advancing quickly [words indistinct]. I am convinced that this investigation is very, very complex. It is so complex that [words indistinct] decisions that at the beginning seemed to clarify the incident. We still believe that it is one of the most complex crimes. I believe that during the course of the investigation, very strange facts have emerged, and that there are possible links with a great number of people, who are being summoned for interrogation, detained, and who are under investigation.

[Reporter] Mr. Prosecutor General, unofficially, it is being said that according to investigations carried out

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by the Prosecutor General's Office regarding the so-called wily blond, persons who had been arrested for involvement in the mentioned drug trafficker's pact, were involved in this issue?

[Valdivieso] No, I could not anticipate any details. What is certain is that a number of person have been arrested, and many other persons are being called to render testimony, or are being interrogated. Therefore, I believe there is still much pending in this investigation. I am sure, however, that the investigation is progressing well and is well directed.

[Reporter] Mr. Prosecutor General, what about the murder investigation regarding Dr. Alvaro Gomez Hurtado?

[Valdivieso] We have found a very complicated investigation scenario. I have warned, and I have said from the start of the investigation, that surrounding these murders, probably in relation to other crimes, but in this specific case of Dr. Alvaro Hurtado, many incidents have occurred in which there has been an attempt to change the course of the investigation. I must says that a number of witnesses have simply tried to disorient the investigators responsible for the investigation. What is important is to take precautions and avoid choosing investigative paths that will lead to failure.

So, we still have many things that have to be determined; however, it is an investigation that is unfolding well. There are also people who are free at present, and we expect to have [words indistinct].

[Reporter] Speaking of cartel wars, and interference by foreign agencies, in the case of the attack on Julain Rodriguez Abadia, how are the investigations on that incident proceeding?

[Valdivieso] Currently, we are in a preliminary stage. It is not clearly known how the incident occurred. We are investigating a number of theories.

[Reporter] Dr. Valdivieso, the Prosecutor General's Office is contemplating, or rather, is already making a decision to move forward the closing of Dr. Fernando Botero's case.

[Valdivieso] Up to now, there has not been any meeting regarding this issue and no request of that nature made. Some rumors have been heard, but Fernando Botero's lawyer has not petitioned any such request to find out about a pre-trial sentencing, or special audience, is applicable.

[Reporter] In Gilberto Rodriguez Orejuela's case, what has happened to the petition made by his lawyer?

[Valdivieso] They have made that petition, and it is currently under consideration, specifically, to apply a certain procedure that will allow granting him some benefits.

[Reporter] There is already a petition by Mr. Gilberto Rodriguez Orejuela's lawyers, he has confessed, and there is a petition for a pre-trial sentence. Based on a maximum sentence of 24 years for drug trafficking, he would receive a benefit of 12 years. That is, according to his lawyer's estimate, and according to the law, Rodriguez Orejuela would be imprisoned for 12 years, in addition to other benefits to which he has a right. What is your opinion regarding Cali cartel capo Gilerto Rodriguez Orejuela's sentence being reduced to eight years?

[Valdivieso] It is not exactly as you have stated. I have insisted in a maximum sentence for person that have committed the crimes you have mentioned. I have also, however, advocated stricter, more restricted benefits — after taking into consideration those discrepancies, without violating anyone's rights. On many occasions, however, we have said that it is incredible that this system leads to lesser sentences. Let us see where it leads regarding the reduced sentences, specifically in sentences that are automatic. For example, in case the normal closing of the investigation were to prosper — whether you call it a pre-trial sentence or a special audience — what benefits they would have a right to, after due consideration. I repeat, however, these are not the estimated sentences that were presented, because I still believe that the sentences are too light for these crimes. [Reporter] Mr. Prosecutor General, (?Diego Londono Whitely) has been in jail (?four) months, why is he under arrest and what is his legal situation?

[Valdivieso] I do not have the exact information, but he is involved in several crimes, and as I understand, those including drug trafficking. Anyway, I should tell you that a normal situation has arisen, and a petition for benefits for cooperation has been presented. [Words indistinct] previous to Dr. [words indistinct] was interrupted, I do not know what to conclude. A very clear [words indistinct] was presented, and that is that Londono and his lawyer said that they did not agree with a document that was signed on a previous occasion, which stated that there was no coincidence between the Prosecutor General's Office and the person that was being investigated, therefore, that investigation has been closed [word indistinct] a few months ago. As you know, there are many factors that have to be to be investigated regarding Londono's alleged cooperation with the law.

[Reporter] Are you aware of the danger involved in having (Londono Whitely Ochoa) in an apparently privileged situation, Mr. Prosecutor General?

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[Valdivieso] Well, I do not know what to say. I believe this is not so much a matter of privileged circumstances. He was held for some time under arrest in Santa Fe de Bogota, then he was transferred to (Camaglium). It is our understanding that penitentiary regulations have been duly enforced in his case. By the way, this should be demanded from the National Prison and Penitentiary Institute.

[Arizmendi] Mr. Prosecutor General, what do you think of the position that the United States has recently assumed and of the announcements made by a U.S. spokesman regarding possible economic and consular sanctions and retaliations against Colombia in the event that the Chamber acquits the Colombian president?

[Valdivieso] I believe that a very serious climate surrounds these relations. I believe, for instance, that no one could justify the U.S. officials' declaration as a result of the Accusations Committee's decision. [Words indistinct] Unquestionably this position could be explained in the light of and in relation to the previous declaration made by the U.S. Government when the Accusations Committee [word indistinct] last December. [Words indistinct] because actually both countries should modify the circumstances that have led to such extreme positions. I hope that the Colombian and U.S. Governments would take another position in order to resume relations that would in fact be greatly beneficial to both countries. I very sincerely believe this, more so and certainly in Colombia's case, given the current circumstances. I am not only referring to the current case, but also to cases in which, to say it very clearly, U.S. aid and cooperation are very important, like in the fight against drug trafficking and in the judicial area. The Colombian Foreign Ministry truly has a great responsibility in this regard. [Words indistinct] The United States also has a very sensitive point in these relations that should be firm, stable, loyal, and true for our mutual benefit.

[Reporter] Did you hear any warning or comment from U.S. Assistant Attorney General Marilyn Warren [as heard], who is in Colombia and whom you met [words indistinct]?

[Valdivieso] Well, I have periodically discussed the issue of judicial cooperation with her. [Words indistinct] We actually did not go into details in these other subjects that were mentioned, however, I expressed my concern, and they are aware that this is not the best subject. Nevertheless, as would be expected, these decisions apparently pertain to other governmental levels [words indistinct] both in the United States and in Colombia.

[Arizmendi] Mr. Prosecutor General, the daily EL SIGLO published last Saturday on its front page [words indistinct] a report alleging that you, Dr. Salamanca, Dr. Sarmiento, and the entire leadership of the Prosecutor General's Office are all ready to resign in the event that the Chamber acquits the president. What is the reality?

[Valdivieso] No, this is absolutely false. I believe that there is no relationship, let us say, between the purpose of initiating an investigation and our belief that the congressional decision on the president should be interpreted as a point or a time to collect proceedings. Unfortunately, I regret that some individuals believe that the Prosecutor General's Office had as its purpose or goal during this investigation to cast the Colombian president out of power. I believe that the investigation has not been directed either against the ministers or any other individuals in particular. I undoubtedly believe that this is not the situation. Whether the Chamber decides to pursue this case at the Senate and make an indictment or to acquit the Colombian president as [words indistinct] to close this case or [word indistinct], the Prosecutor General's Office will maintain its position. There is no relationship involved. We will, let us say, continue addressing this subject from this perspective. The rumor that you have mentioned is absolutely false and groundless.

[Reporter] Dr. Valdivieso, there are people who think that when the Perafan case [Pastor Perafan, wealthy and prominent Colombian businessman allegedly linked to drug trafficking activities] explodes, the explosion will be bigger than the one produced by Case 8000. Already a few people have shown photographs of Perafan with politicians, ministers, and several political personalities in the country. When will the Prosecutor General's Office start to clarify this case or, at least, give public statements or reports on the investigations being advanced in Mr. Perafan's case?

[Valdivieso] This investigation is also advancing. As has been reported, preventive measures were dictated, but it has been impossible [words indistinct] to hear the testimony. The search, however, continues. Another type of measures, against assets, will start to be implemented to achieve [words indistinct] so that the case can advance. The investigation has still to shed light on the ties between Pastor Perafan with other people.

[Reporter] Perafan has stated his willingness to cooperate and his confidence in the authorities. Has the Prosecutor General's Office contacted his lawyers to further this end?

[Valdivieso] No. We have had no direct contacts with them. I have heard several statements to this effect but they have not become a reality. Of course, it would be very positive for him to come forward as this will allow us to get his version and establish [words indistinct] possible involvement in drug trafficking activities.

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[Reporter] It was publicly reported that you and the president of the Republic met privately for lunch at Nariao Palace a few days ago. What did you two talk about?

[Valdivieso] I have regular meetings with the president. They are not secret meetings. When such meetings are reported, however [words indistinct] trigger reports that are, many times, the result of speculation. For example, it was said that we talked about [words indistinct] at the meeting last week. This is not true. We talked about issues related to the Prosecutor General's Office responsibilities. [Words indistinct] we assessed the kidnapping of former President Gaviria's brother because it is a case that worries the government and, of course, the Prosecutor General's Office. We discussed other issues that are part of our common agenda; concerns that are shared by our office and the government.

[Reporter] Have you ever discussed the possibility and advisability that he leave the presidency?

[Valdivieso] No, I have not. I believe the prosecutor general should not take a position on the so-called governability. I have stated that I [words indistinct] — the government itself has admitted it — of the investigations. The issue of governability does not concern me and, thus, I should not assess or take a position on it. Furthermore, I could be risking the furtherance of the investigations if I did so.

[Reporter] Caracol has learned that, according to the Ochoa brother's lawyers, Jorge Luis will be released in July, Fabio Ochoa on 2 August, and Juan David Ochoa Vasquez will leave jail in December. Is this true?

[Valdivieso] I do not have the exact information but do know that they will have complied with their sentences shortly.

[Reporter] Who is behind the Dignity For Colombia group? Does it represent drug traffickers, guerrillas, or organized crime?

[Valdivieso] We do not know. Truthfully, there are a lot of conjectures and assessments because, well, the group's positions and attitudes are really confusing, erratic, and it presents a very defiant stance. We have to, however, [words indistinct] such organizations that Colombians will not accept any type of pressure. I believe such bizarre criminality must find an upright society that decidedly rejects any attempt to introduce anarchy in our daily life and institutional development.

[Reporter] The Prosecutor General's Office, as well as the entire country, took note of the tax report presented by the Gaviria Munoz family. Do you personally believe, Mr. Prosecutor, that the report must be investigated? Do you find that the Gaviria Munoz tax report is unusual in any way?

[Valdivieso] I have not seen the report. The investigation does not have — at least to my knowledge — any relation to the tax report. [Words indistinct] I still have not seen it but believe it is not the issue being considered here. I believe they are linking [words indistinct] President Gaviria with government money but those links are not very clear. There are rumors and gossip everywhere and several personalities have been mentioned. As I stated previously, however, the group has a very erratic conduct and quite a defiant attitude which, I repeat, Colombians cannot accept.

[Reporter] Caracol has learned that the Constitutional Court will reach a decision on the illegal enrichment limitation in approximately three weeks. What does the Prosecutor General's Office expect the court to decide?

[Valdivieso] The Prosecutor General's Office, if we are talking about the same thing, has already taken a stand on this. I understand the action calls for the elimination of the [words indistinct] term.

[Reporter] Yes sir.

[Valdivieso] The Prosecutor General's Office, of course, contends that this crime must be maintained. It has noted — and you all know this — that the [word indistinct] of this crime is alarming. I believe it is necessary to reestablish the law and the way citizens must act in regards to drug traffic. In the specific case of illegal enrichment I must emphasize that it is only related to drug trafficking activities. This crime should not be modified and I hope it is not. Congress already tried to modify it by passing a law but it was not passed. I hope the Constitutional Court's forthcoming decision will uphold our stance.

[Reporter] Mr. Prosecutor General, with due respect and in view of the experience and results of the operation of the Prosecutor General's Office after the 1991 Constitution, a debate has ensued in Colombia. Recently on the "Face to Face" program, Dr. Bernardo Gaytan Mahecha said that regardless of the fact that you are the prosecutor general, the Prosecutor General's Office has excessive power, that it is judge and jury in trials, and that, in his opinion, it is highly inappropriate.

He said it would be advisable to revise this. Gaytan added that he is not worried about the Prosecutor General's Office as long as you are at the helm, but this could change in the future with someone else as its leader. What is your opinion from a conceptual and academic standpoint?

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[Valdivieso] From a realistic and pragmatic stand, and also with due respect, I would say that unfortunately some persons have joined the ranks of those who have questioned the Prosecutor General's Office. I think that this is unfair, especially at a time when this office has carried on important work while working on behalf of the country's best interests. Some have joined the ranks of those who question and criticize me. Of course, I hope they are motivated by good intentions. I, however, think there are curious agreements.

Academically and theoretically speaking, I have warned about this; I have made this public at the Congress. I, for example, think the Prosecutor General's Office should exclusively have investigative duties, and not jurisdictional duties. Thus, issuing judicial rulings regarding property and persons is not necessary to efficiently fulfill the investigative duties.

From this view, we could agree with [words indistinct] Dr. Bernardo Gaytan Mahecha. I have said so and I think that in the future the investigative duties should be well-defined. The Prosecutor General's Office does not need additional duties because having them could lead to excessive power.

Moreover, I have said that those jurisdictional duties even [words indistinct] within the institution, generate pressures that, frankly speaking, at times affect the investigations. I must, however, add that we should not be involved in permanent reforms. That has undoubtedly affected many institutions. I think it is positive to go through this experience, to make a true assessment.

Remember that the Prosecutor General's Office has only been in operation for the past four years and under very precarious conditions. It is a weak institution. We are on the right track, and we hope an assessment of its performance will lead to corrections to define [words indistinct] that forces it to have a monopoly of the investigation [words indistinct].

[Reporter] When will the Prosecutor General's Office reveal the final ruling on the juridical status of the three ministers who are still linked to the case?

[Valdivieso] I would expect that investigation to be completed in July, when a ruling will be issued.

Colombia: Samper Calls For Respect for Due Process

PA0406124796 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1700 GMT 2 Jun 96

[Report by Luz Miriam Quintero in La Mesa, Cundinamarca Department; from "The Midday" newscast]

[FBIS Translated Text] President Ernesto Samper Pizano, upon formalizing the rural social contract here in La Mesa, Cundinamarca, referred to and vehemently called for the country and Colombian society to respect due process. He said that the Colombian people have a constitutional duty to respect and ensure that no one interferes with the political and public debate that is taking place in the Chamber of Representatives.

He specifically referred to recent statements by the church, the Conservative Party, and the media, which according to the president, misinterpret the [word indistinct] of this debate. Here is an excerpt from President Samper's statement:

[Begin Samper recording] I have even been accused of receiving assistance through the use of faceless judges, figures used only, according to the law, when the accused is very dangerous and the official needs to wear a hood to protect him from any physical harm. An illustrious catholic prelate, whom I respect, also added his two-cent bit to the debate, recommending that judges cast aside the law and allow themselves to be led by their moral convictions, as if the positive law, which is what rules the organization of our society, were by definition immoral. This is as if we did not know the amount of genocides or of innocent people condemned, who have been sacrificed throughout history in the name of badly interpreted moral certitudes. [end recording]

No case has been as open as this one, President Samper insisted. He also said that attempts have been made to downplay the legitimacy of this case. Regarding the media, he said that it has condemned him in advance so as to possibly influence the decision of the congressmen. He trusts, nevertheless, that congressmen in the Chamber of Representatives will issue a ruling within the law. Samper confidently awaits the Chamber of Representatives' decision to clarify, with the truth, what this debate has been about.

Lastly, he reiterated his invitation to the country and Colombian society to allow an official closure to this chapter in the country's history.

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Colombia: Alleged Cali Cartel Drug Trafficker Murdered

PA0406163496 Madrid EFE in Spanish 1351 GMT 4 Jun 96

[FBIS Translated Text] Barranquilla (Colombia), 4 Jun (EFE) — Jose Alcides Loaiza, who is the cousin of Henry Loaiza, military chief of the Cali drug trafficking cartel and also known as "El Alacran," was murdered in Barranquilla, northern Colombia, the authorities reported today.

Last Sunday, the presumed drug trafficker was shot 14 times while at a Barranquilla supermarket with his four-year-old daughter.

Jose Alcides Loaiza, alias "El Cejo," 35, was a bodyguard for Jose Santacruz Londono, another leader of the Cali cocaine cartel, who died in March in Medellin during a clash with police.

Colombian authorities said today that "El Cejo" was attacked by nine men, who arrived at the supermarket in two automobiles and two motorcycles.

One of the unidentified men carried the girl away from the supermarket, while three others shot Loaiza several times.

The police recalled that Loaiza was arrested in November 1983 in Florida (United States), in possession of more than 10 tons of marijuana, and in other operations, cocaine and more than $8 million in cash were seized from him.

His cousin "El Alacran," however, preferred to take advantage of the government's "surrender policy" and surrendered to justice in June 1995, and since then, has been at "La Picota" Prison in Santa Fe de Bogota.

Colombia: Interior Minister Discusses Political Crisis

PA0206034996 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 28 May 96

[Telephone interview with Interior Minister Horacio Serpa Uribe by news director Dario Arizmendi and reporter Judith Sarmiento in Santa Fe de Bogota; from the "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Arizmendi] Interior Minister Doctor Horacio Serpa Uribe, good morning.

[Serpa] Good morning, Dario. How are you?

[Arizmendi] We heard on television the statements given by Doctor Hernan Echavarria Olozaga, chairman of the Corona Group and one of the champions of the so-called Valle del Cauca crusaders who request the president's resignation. Did you hear them or read about them, too? What are your views about this, Mr. minister?

[Serpa] Yes, I was told about them. Mr. Echavarria Olozaga is quite angry about a simple incident. What I had the opportunity to state in Barranquilla turned out to be true. What turned out to be true? First of all, that large amounts of money were being gathered to sponsor activities intended to destabilize President Samper's government. Second, that they were becoming involved in activities that were unexplainable and unprecedented, to say the least. They disqualified beforehand a ruling that has yet to occur, in this case the Chamber of Representatives acts as judge, so that they do not have to abide by or accept the ruling. They have incurred in a behavior that is totally contrary to our legal norms. This upset the man. I believe that what I said is public knowledge. My statements were true. That is the situation and the country can judge for itself.

[Arizmendi] Dr. Serpa, Dr. Echavarria Olozaga said you act like a venomous snake against the plans of those who want the president to leave. Mr. Echavarria said: I have only a few years left to live so I do not have much to lose if they want to use against me the same system they used against the wily blonde [reference to the late Elizabeth Montoya de Sarria]. This is not a veiled accusation. It is quite open and extremely grave. What actions will you adopt or what replies will you give to this?

[Serpa] People who should set an example of equanimity, control, serenity, and good behavior make all kinds of mistakes when they are full of hate and anger, and when they adopt an extremely radical attitude. I do not worry about the phrases that this man uses in an attempt to insult me, nor will I fall for his trap and answer in a similar way. Moreover, it is absolutely reprehensible that he has adopted that attitude, claiming he will be persecuted, etc.

This government persecutes no one. This government has proved it is extremely tolerant. This government has given its opponents all kinds of guarantees. What no one can prevent us from doing is telling the Colombian people what some of our fellow citizens are doing, what this distinguished businessman is leading and what some people are planning.

For example, Mr. Holguin [not further identified] used a phrase yesterday in Cali and he should clearly explain it. He said that if the president of the Republic does not resign the country will face situations of extreme violence. It sounds like he is encouraging the Colombian people to give up their good behavior. I repeat: I believe the people from whom Colombia should expect equanimity and respect for the law are actually going

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against it and are assuming immoderate attitudes that obviously do not help Colombia, much less in this situation.

[Arizmendi] Mr. Minister, Mr. Echavarria has cast serious doubts on the participation of either you or the government of President Samper in the murder of Elizabeth Montoya de Sarria, the so-called wily blonde. The question is: How does one face a multifaceted situation, such as this?

[Serpa] That charge has no influence among public opinion. The people know us and they know about our behavior. They know the president has always acted within the framework of the law. They know that each of my actions is guided by the rigorous concepts of the law. Mr. Echavarria responded to my remarks in a hateful, appalling, and extremist manner. What I said in Barranquilla is that they were raising money to try to topple the government, to destabilize the government — and he recognized this. He admitted that some people are contributing large sums of money to create a large fund in order to stir up national public opinion against the government and against institutions.

I will not answer the charges on the death of Mrs. Sarria. Authorities, whom we do respect, are there to settle everything pertaining to the illegalities in this country.

[Arizmendi] Mr. Minister, the U.S. Government apparently were not pleased with your ratification to the post of interior minister. What position would you adopt if your visa is revoked, as Caracol learned from sources close to the State Department?

[Serpa] It would seem an action not in keeping with my behavior. Of course, that is an absolutely unilateral decision from a government that, I believe, is not in a position to challenge that decision. [Words indistinct] yesterday told journalists who are friends of mine [words indistinct] it is their problem. If that were the case, I would take out all my deposits, checking accounts, and investments from the United States and move them to Europe.

[Arizmendi] The trial against the president begins today at the Chamber of Representatives. Let us suppose there are two scenarios: First, the Chamber decides to file charges against the president before the senate, in which case he should step down because the case will later be presented to the Supreme Court of Justice and a case for unbecoming political conduct. But let us suppose this does not happen, as many people believe. Let us suppose the president will be acquitted. What will be next for the country, should that happen?

[Serpa] The president has made it very clear that if he is declared innocent and he perceives that there are governability problems, he is willing to lead a solution offering the country the opportunity to adopt the most convenient decision in the future.

We must then wait and see what initiative the president of the Republic will assume, in the face of this possibility. He will assume this decision with patriotism, responsibility, and with the desire to favor the interests of Colombians.

[Arizmendi] How do you determine governability or any lack thereof? Is it determined by businessmen, workers, the president himself, the Council of Ministers? How is this rated?

[Serpa] This is measured by examining the situation of the country. No single sector can claim to represent all Colombians. In this country, there are many ways for people to express their opinions. Obviously, businessmen — an important segment of our country — and workers have a say, as do political parties, Congress, society, and associations.

In sum, the president is responsible enough to appropriately assess that situation.

[Arizmendi] If the president concluded, after making the assessment you just mentioned, that the necessary governability does not exist in Colombia, there would be many alternatives. He has mentioned some; for instance, a national reconciliation government. Will this be viable with such a recalcitrant opposition as today's opposition?

[Serpa] Dario, what happens is that there is an opposition in every government. I believe Colombians should not fear that. Of course, the interest to make a proposal [seven-second break in reception] very important and representative of the opinion of those in the executive branch. But no government ever will be able to have the support of all citizens and political groups to direct the government.

What bothers me, in the face of today's circumstances, is that some sectors, the most recalcitrant and extremist sectors, which are the same sectors that opposed Samper in the electoral campaign — they are the same neoliberal businessmen, foreign agents, newspaper columnists, political leaders — are telling Colombians that if a decision favoring the president is made, let us not respect it, let us not observe it, let us oppose it, let us rise up against it, let us take action against said decision because we don't want Mr. Samper to be president of the Republic.

In addition to that, they are making large cash contributions to finance a campaign of that nature. It is as if

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the rest of Colombians were saying that we will not accept the decision made by the Honorable Constitutional Court, the Supreme Court, or the Prosecutor General's Office regarding a specific case. It is like saying, we are against said decision.

For Heaven's sake! This is the position of the persons who should set an example to this country. This is a situation that must be examined very peacefully. And we will examine it carefully.

[Arizmendi] Yes.

[Serpa] We don't assume those immoderate attitudes expressed yesterday in Cali. This was the position of only a few of those who represent the business sector from that department. It was not a meeting of 5,000 people. No. It was a meeting attended by 800 people, some of whom are very representative; others got in because they got a free ticket and they are not even businessmen.

This is what they are doing to try to depict a distorted picture. This happened last week following a decision from the Constitutional Court; some people attempted to scare the members of the Chamber of Representatives by telling them that the Court has warned them they would engage in prevarication, etc. That's bullshit. The Court did not say that.

What happens is that they want to constrain the good sense and the desire, which must be completely free, of the members of the Chamber of Representatives to try to hurt the interests of Doctor Samper.

[Arizmendi] Minister, we want to continue to talk with you. We have additional questions from the public. We invite you to stay tuned for the summary of news and we will be back in a few seconds with Dr. Horacio Serpa Uribe.

[Arizmendi] Mr. Minister, rejected as it seems, at least in principle, for the sake of discussion, there is a possibility of a national reconciliation government; it is the chief of state's second proposal, a liberal unity government. Could we count on all of the party's factions to support this possibility?

[Serpa] Dario, I do not see why we have to rule out the first option. I repeat, a reconciliation government does not necessarily reflect all Colombians' opinions on political, social, and business aspects. This does not happen anywhere. However, here we could clearly see the possibility of many sectors heeding a call the chief of state made in this regard. So, let's not rule out this option; let's analyze the second option.

[Arizmendi] That of liberal unity.

[Serpa] Of course. This is an aspect that could be analyzed. The truth is that large segments of the Liberal Party formally and informally support the president of the Republic. The first [word indistinct] represents the liberal system and [words indistinct] the second one is the one one can see from the polls taken. The polls show 70 percent; this is what the latest Liberal Party's poll shows. The groups absolutely agree that [words indistinct] a favorable position by the Chamber of Representatives [words indistinct] Samper has the right to continue occupying his post.

[Arizmendi] Let's analyze the third option the president proposed: anticipated elections, which have been rejected by the National Liberal Directorate and many other very representative groups.

[Serpa] Yes, it is an option that was popular a few weeks ago. It demands a constitutional reform, and to do this, we need two periods of sessions in Congress. People used to think that this period that ends in three weeks could be the first one, and the second round could be held in the national Congress in August or September. This prospect is somewhat uncertain as far as time is concerned. One would have to wait until the second round of sessions, which starts on 15 March 1997, for [words indistinct] this option becomes less manageable, less possible.

[Arizmendi] There is a fourth option, prior to the fifth one. [sentence as heard] It is the popular consultation, on which the people, public opinion, and the primary constituents [constituyentes primarios] can say if they want the president to stay or leave.

[Serpa] It seems to me that this is a very significant and interesting option, because it is nothing more than the implementation of the participative democracy about which we Colombians have talked a great deal. It consists of directly asking voters, citizens, if they want Dr. Samper to continue to steer the nation's destiny or not. Citizens would give their opinion. If they say no, well, the government would simply leave, and it would leave because the people, who are sovereign, asked it to leave [words indistinct] civic support.

[Arizmendi] If the people would say no, would Vice President Humberto de la Calle replace the president?

[Serpa] Of course, the vice president would replace him.

[Arizmendi] Let us talk about the fifth alternative; we have to mention it: the likelihood of the president's resignation if he finds that there are no possibilities for governability [circunstancias de gobernabilidad]. In this case, the president [words indistinct] the vice president's resignation and would resort to the possibility of a third candidate elected by consensus in Congress?

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[Serpa] There are no, let us say, significant analyses on this issue. What I say in this regard is the following: First, if the president had already determined that his withdrawal would favor Colombia and offer it possibilities of improvement, that the structural difficulties that are harming Colombians could be resolved with his resignation, he would patriotically and responsibly have resigned. He has not done this, because he knows, as most Colombians do, that this is not the solution. If this possibility has not become a reality thus far, it is unlikely that it will become a reality if the Chamber of Representatives acquits the president, because it would be less explainable that ever before. It is true that we have to examine this option as one of the possible solutions. However, this option, I believe, is too farfetched. The president has not thought about resigning so far, and I believe that the fact that he would think about it after the Chamber favors him in the case that starts today is very unlikely.

[Sarmiento] Mr. Interior Minister, [words indistinct] others to seek a common goal. This is why people say that a leader is followed, not obeyed. According to [words indistinct] has lost more or less half of the public opinion's favor lead to any of these five options?

[Serpa] He is such a leader, that, in light of these circumstances he has had to endured — this is the word that fits. Dr. Samper still has the support of more than half of the public opinion. It is a spontaneous opinion. You know how the president of the Republic has not been looking for anyone, giving ultimatums to anyone to follow him. On the contrary, he is spontaneously receiving this affection and this solidarity. In the country, in the recent past, there have been examples of very prominent Colombian rulers who have known how to fulfill their government's duties with a support that is not even half of what Samper currently has. In addition, I cannot help but think that a favorable decision by Congress is going to trigger an impact on public opinion that Dr. Samper will continue to exercise his mandate in Colombia.

[Arizmendi] Last week, the U.S. State Department questioned the recommendation the Accusations Committee made to the plenary of the Chamber of Representatives to acquit President Samper. If the Chamber acquits the chief of state, the United States could impose economic sanctions. What position would the government take?

[Serpa] The position the U.S. State Department took has been almost unanimously rejected in Colombia. I believe that it must have seen this within an international context [words indistinct] the list of these political and universal situations. This is an undue intervention. I believe that this government would have to thoroughly examine the circumstances that have an impact on the Colombian Government's handling. Why? Because a decision that a body traditionally called to judge the presidents' behavior would responsibly and honestly made cannot be ignored here in Colombia, let alone abroad. So, if wisdom and good judgment prevail, a decision favoring the Colombian president would have to necessarily [words indistinct] accepted. This U.S. State Department's attitude, I repeat, has been rejected almost unanimously in Colombia. They must be fully aware of this, and they should not be interfering where they do not have to. They must not try to force a decision. How come they would accept a decision that does not favor the president? This is an absolutely [words indistinct] at the head of a government, which is none other that the world's most powerful government.

[Sarmiento] Very kind of you, Mr. Interior Minister, to accompany us on Caracol Network to comment on the course Colombia's political and governmental events may take once the Chamber of Representatives' trial is over and Samper is acquitted.

Colombia: Movement Calls For Samper's Resignation

PA0406155096 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 4 Jun 96

[From "Caracol's 0600 to 0900" newscast]

[FBIS Translated Text] Some people say that 3,000 people were at the meeting, others say 3,500, and yet others say that 4,000 people attended the event that was held at the Tequendama Hotel in Bogota last night. The people literally packed three conference rooms. It was an event sponsored by the movement that wants to bring down President Ernesto Samper Pizano. The movement is headed by, among others, Enrique Parejo Gonzalez, Enrique Gomez Hurtado, and Hernan Echavarria Olozaga.

As occurred in Medellin and Cali, the participants proposed that the president be removed to be able to begin solving the crisis in the country. A declaration was also presented and was signed by thousands of people. The document states that they will join efforts and do everything possible, although they don't openly say to topple the president, but rather to face corruption at all levels in the country.

The Bogota Declaration that was signed last night is mainly the result of efforts by Mr. Echavarria Olozaga, who has become sort of the leader of the large movement that attempts to get the president of the Republic to step down from his post.

There were two events yesterday. The one at the hotel that was against the president, as well as a street

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demonstration in support of Samper that was attended by hundreds of people. Hernando Marroquin reports:

[Begin recording] [Marroquin] The National Business Council has reiterated that President Samper has to resign from his post as soon as the process at the Chamber of Representatives ends because this is the only way to solve the crisis in the country. Colfecar [Colombian Federation of Ground Cargo Carriers] President Eugenio Marulanda:

[Marulanda] This position is not only backed by the organizations but by civilian society. All the people who are here have taken the same stance: to vigorously demand that President Samper resign once the Chamber absolves him.

[Marroquin] Businessmen and political leaders, linked to the National Reconstruction Movement, signed a communique asking for the president's resignation at the event held at the Tequendama Hotel. The communique also promises to fight tirelessly to ensure that the drug trafficking sector does not finance political campaigns in the future. Conservative leader Enrique Gomez Hurtado stated:

[Gomez Hurtado] To impede in the future, that there be [words indistinct] with money coming from criminal organizations or from economic groups, whose sole presence constitutes a flagrant violation of the most elementary ethical and legal principles, undermining the principles of democracy and eroding national funds.

[Marroquin] Additionally, the National Reconstruction Movement, as a result of this meeting between the organizations and the political leaders, made the commitment to work to fight against poverty so as to reduce social inequality. [end recording]

Colombia: Kidnappers Make New Demands on Gaviria

PA0506001496 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 4 Jun 96

[From the "National Newscast"; monitored from retransmission by Lima Sistema Unido de Retransmision Television at 1910 GMT 4 June]

[FBIS Translated Text] The Movement for the Dignity of Colombia has delivered a new communique to the "National Newscast" making additional demands to former President Cesar Gaviria.

The document states that after learning of the Gaviria family tax disclosures, this demonstrates that there has been an increase of assets and that this could have been possible only by having a brother as president.

The communique assures that the fate of Juan Carlos Gaviria, whom they kidnapped two months ago, no longer depends on what family accounts indicate. They now demand that former President Cesar Gaviria accuse President Samper, Vice President de la Calle, and Prosecutor General Valdivieso of being dishonorable [indignidad].

The communique, accompanied by a photograph of Juan Carlos Gaviria taken about two months ago, reiterates in its final point the threat of executing the country's ruling class.

Colombia: Fishing Boats Captured by Venezuelan Navy

PA0506001196 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2328 GMT 4 Jun 96

[Report by Esmeralda Rojas in Cartagena; from "The Latest News" newscast — live]

[FBIS Translated Text] Two fishing boats owned by the Colombia Vikings Company were captured by the Venezuelan Navy in La Guajira Department and they are being held in Maracaibo.

Radio Cadena Nacional has learned that the fishing boats Redes 7 and Redes 9 were involved in fishing activities in that zone of the country when Venezuelan authorities detained them.

Incidentally, the boats were carrying out fishing activities in Manaure, Puerto Estrella, and Cabo de la Vela, located along the border with the neighboring country.

It has been learned that Ricardo Fuentes, manager of the company's shipyards, is carrying out negotiations in Venezuela to recover the boats.

Ecuador

Ecuador: Peru's Incomplete Demobilization Raises 'Concern'

PY0506015096 Quito Voz de Los Andes in Spanish 2300 GMT 4 Jun 96

[FBIS Translated Text] Ecuador has reaffirmed its concern over the fact that Peru has not yet completed the troop demobilization process in the area of the recent armed confrontation, as provided for in the Itamaraty Peace Agreement.

Moreover, Peru has carried out unauthorized aerial incursions over Ecuadoran territory, and has not yet handed over the map of the mine fields near the border with Ecuador. These and other subjects, such as the situation of the peace process and the supposed existence of missing people on both sides of the border,

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were brought up again on occasion of the meeting in Quito of the Ecuador-Peru Military Observers' Mission [MOMEP].

The Ecuadoran aspiration for the creation with Peru of a neighborhood commission similar to that existing with Colombia, which will meet within the next few days in Ipiales, has not yet been fulfilled. Negotiations for the establishment of an Ecuadoran-Peruvian Neighborhood Commission ended in December 1995; its achievement requires only an exchange of notes, and our Foreign Ministry is ready to exchange these notes, as announced several times.

Meanwhile, the Ecuadoran-Colombian Neighborhood Commission, created more than four years ago, will meet in Ipiales for two days, beginning on 5 June, to discuss matters related to health and human rights.

Ecuador: President Reaffirms Desire for Peace With Peru

PY0506015796 Quito Voz de Los Andes in Spanish 2300 GMT 4 Jun 96

[Report by Loyda Carriel]

[FBIS Translated Text] Speaking to Argentine officials who were present at the ceremony during which he was given an honorary degree by Buenos Aires University, Ecuadoran President Sixto Duran-Ballen reaffirmed his desire for a definitive peace with Peru. I want to confirm the profound and sincere desire for peace of the Ecuadoran people and government. I also want to convey our desire to develop this complex and essential task of setting the bases for a just, dignified, and definitive peace, Duran-Ballen said during the ceremony held at Government Palace in Quito:

[Begin recording, in progress] ...to develop this complex and essential task of setting the bases for a fair, dignified, and definitive peace. Forgive me for referring to this matter which gathers us here this afternoon. This affection we feel for Argentina is demonstrated by the interest we have in its culture, because both in the university area and among common people we can often hear comments and talk about the main Argentine literary figures. [end recording]

The Ecuadoran president stressed the Argentine role in this peace process and the important role Argentine foreign policy is playing as one of the guarantor countries of the Rio de Janeiro Protocol, which, in 1942, established the Ecuadoran-Peruvian border. Thus Argentina is a co-protagonist of the peace process between Ecuador and Peru.

Ecuador: Electoral Officials Questioned on Irregularities

PY0406232596 Quito Voz de Los Andes in Spanish 1700 GMT 4 Jun 96

[FBIS Translated Excerpt] Officials of the Supreme Electoral Board [TSE] appeared before the Supervision Committee in Congress today to report on the alleged irregularities committed during the 19 May general elections.

TSE Vice President Guillermo Estrella talked to the media before entering Congress:

[Begin recording] [Estrella] We were summoned by the Supervision Committee. We don't know the questions, but we are willing to respond to all the committee's concerns.

[Unidentified reporter] [question indistinct]

[Estrella] The OAS reported that it found deficiencies, but I would ask: In what elections of the size we held were no problems reported?

[Reporter] What is your opinion about the idea of trying the TSE president for the electoral irregularities discovered?

[Estrella] I cannot give an opinion because those who ask for the trial are the ones who should do it.

[Reporter] What about changing the TSE members?

[Estrella] I believe it would be inconceivable to change the TSE members now. We have not even changed the members of the Guayas Provincial Electoral Board.

[Reporter] [words indistinct] can Pardo [TSE President Carlos Pardo Montiel] be trusted to head the runoff elections on 7 July?

[Estrella] We all know that the TSE is a collegiate body and in this body there is no single official in charge. The seven TSE board members are the ones who make decisions.

[Reporter] But the TSE president has been questioned. Doesn't this questioning cast doubts regarding the credibility of the electoral process organization?

[Estrella] Those who question the TSE president will have to prove their charges.

[Reporter] What is the position of the TSE members? What will they do regarding the questions being asked, like the OAS report, for example?

[Estrella] We will respond to all the questions; we have nothing to hide. Our actions were clear; we have no problem answering all questions.

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[Reporter] [words indistinct] to overcome the faults for the runoff elections?

[Estrella] We will definitely improve for the runoff elections. [end recording] [passage omitted]

Congress President Fabian Alarcon said that there are procedures that must be followed through the Supervision Committee before a trial is held, and that if the committee finds enough envidence for a trial, then this possibility exists. [passage omitted]

Ecuador: Financial Details of Campaign Described

96SM0336B Guayaquil VISTAZO in Spanish
23 May 96

[Article by Angela Lopez Bocca: "Financial Details of Campaign Described" — received via Internet]

[FBIS Translated Text] *The candidates spent $4 million on television advertising alone during the recent campaign.*

Every four years the candidates for the Presidency and various national offices set an entire electoral enterprise in motion for the purpose of publicizing their respective programs. This translates into millions of sucres spent on television and radio spots, newspaper advertising, the mobilization of supporters for mass meetings, posters, decals, T-shirts, and so forth. It is said that no one can become president without sufficient funds to finance their campaign.

By law, the state contributes 0.5 sucre per 1,000 sucres in the national budget to the permanent political party fund, and an equal amount to another fund for electoral expenses. These funds are distributed—in proportion to the votes obtained in the most recent national elections—to those parties that have received a minimum of 5 percent of the total vote.

During recent years (1992-95) the Supreme Electoral Board [TSE] has distributed approximately 12 billion sucres ($4 million at present prices) among the political parties. The four parties that received the most money during this period are the Social Christian Party, approximately 23 percent; followed by the Roldosist Party, 17 percent; the Democratic Left, 12 percent; and the Popular Democracy Party, 11 percent.

But the funds delivered by the TSE are minimal and are almost always greatly exceeded by the amount that the candidates and their parties spend, inasmuch as Ecuador—unlike other countries—has no law that establishes a spending limit for election campaigns. Between January and April—that is to say, until 15 days before the first round—approximately $8 million was spent, according to data compiled by Statistics and Publicity Control, Inc. (Escuposa), which is charged with checking on the number of political spots and advertisements placed in the media by the various candidates and political parties.

The actual amount spent by the political parties and political groups on television advertising during the campaign, however, is probably around $4 million, inasmuch as most of the TV channels provided free spots.

Presidential Spending

Heinz Moeller, manager of the Social Christian campaign for presidential candidate Jaime Nebot, indicates that the total amount it has spent so far is probably between $2.2 million and $2.5 million, the equivalent of 6.6 billion sucres. The PSC reportedly spent 65 percent of this amount on TV and radio advertising and the remainder on printed matter, posters, decals, T-shirts, the mobilization of its supporters, and so forth.

The Roldosist candidate Abdala Bucaram says that a total of between $3 million and $4 million—some 10 billion sucres—has been spent on his campaign, most of it on television spots and on organizing public meetings. Both candidates say they have been financed by the contributions of their followers and by what they receive from the TSE.

The independent candidate Freddy Ehlers spent approximately 250 million sucres before the first-round election, according to his campaign manager Francisco Borja, who says that some TV channels donated time to them. In addition to relying on contributions from his supporters and the support of the Democratic Left, Ehlers also financed his campaign by selling political advertising in the form of pins, stickers, posters, and the like.

The presidential campaign of Juan Jose Castello of the MPD [Democratic People's Movement] probably cost around 1 billion sucres, according to MPD campaign manager Luis Andrade. Castello's candidacy was reportedly financed by the sale of bonds with a face value starting at 1,000 sucres for younger voters and peasants and a face value of up to 100,000 sucres for other sectors of the population. The largest item of expense was printed matter, which accounted for 50 percent of the total, followed by 30 percent spent on radio advertising and the remaining 20 percent on TV advertising.

General Frank Vargas reportedly spent some 400 million sucres, of which the TSE allocation reportedly accounted for 70 percent. Approximately 110 million sucres was spent for printed matter, 50 million for mobilizing his supporters, 40 million for radio advertising,

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and 30 million on expenses for public meetings. The independent candidate Jacinto Velazquez—the only candidate who did not use TV spots—reportedly spent 150 million sucres, of which the main item of expense was 15 million sucres for printing his book "My Program." An additional 50 million was spent for a new edition of his book, for the printing of posters, and for various promotional activities. Velazquez explains that time was donated to him for brief radio spots.

Another of the less expensive campaigns is said to have been that of General Jose Gallardo, who reportedly spent 300 million sucres. The largest item of expense was 40 million sucres for radio advertising; the remainder was spent for mobilizing his supporters.

It was not only the presidential candidates who spent millions of sucres during the campaign, however; other dignitaries did so as well, such as Alfredo Adum, the Roldosist candidate for mayor of Guayaquil; Federico Perez, candidate for mayor of Quito; and the mayors of Quito and Guayaquil—respectively, Jamil Mahauad and Leon Febres-Cordero—who are seeking reelection.

Candidates for national deputy who apparently had little support—such as Hugo Calcedo of the Latin American Peoples' Union and others including Luis Almeida and Raul Baca—are each reported to have spent several millions. The heaviest spending was made in the campaigns for provincial deputy, however, such as those of the Social Christian Isidro Romero; the independent Juan Jose Illingworth; and the Roldosist Fernando Rosero.

Other Expenses

The political campaigns appear to have used marketing [preceding word in English] strategies similar to those used to promote products of mass consumption, in which every possible device is used to get out an advertising message. Promotional aids ranging from large billboards [vallas] to pens, watches, and key rings have been used and have unquestionably increased campaign expenses.

At least in Guayaquil, the practice of painting political advertising on walls has been replaced by a greater use of campaign posters, which are attached to posts, pillars, and poles and cost around 200 sucres each for the laminated plastic varieties, which are the most commonly used. A major political party will probably order between 50,000 and 150,000 posters in the course of a campaign.

In the towns especially, or at the mass meetings, large cloth placards are constructed that cost 100,000 sucres each when purchased in quantities of 5 or 10. The greatest novelty of this campaign is the large billboards [vallas] with photographs that have been used mainly by the Social Christian Party and reportedly cost between $12,000 and $15,000.

More traditional methods have also been used, such as stickers, the prices for which vary—according to the size and quality— from 250 to 2,500 sucres each, when purchased in quantities that vary from 50,000 to 100,000; T-shirts bearing the face of one's favorite candidate, reportedly priced at around 5,000 sucres each when purchased in quantities of 100,000; and caps at 3,500 sucres each. There are other items used to advertise the candidates, including pens and key rings and other less usual items such as the watches and plastic rings used by the Roldosists.

There are additional campaign expenses such as the public meetings, for which one of the most expensive items is reportedly the rental of loudspeakers and amplifier systems, which cost around 3 million sucres each. Another expensive item is the mobilization of supporters for public meetings: it costs around 60,000 sucres to charter a bus in a city. In some instances, political parties have paid taxi drivers to put large stickers on their taxis to advertise a particular candidate. The prices for renting apartments or homes to serve as party headquarters depend largely on the location.

Where Financing Is Obtained

What are the sources of the huge sums of money used to finance these campaigns? All of the candidates say these sources are the contributions from their supporters or from private institutions that support their program. The more skeptical observers, however, insist that this financial support—which often is given not in cash but in kind—will in certain cases have to be recompensed by means of "political favors" in the event the candidate of one's preference wins election.

Is there sufficient control to prevent dirty or laundered narcotics money from being used to finance political campaigns? The administration of Colombian President Ernesto Samper has been staggered precisely because his campaign was allegedly financed by narcotics money. Although there are no indications of a similar situation in our country, Ecuador has been classified as one of the principal countries where money is laundered.

Moreover, it does not seem fair for millions of sucres to be spent on an election campaign in Ecuador—where almost 65 percent of the population lives in poverty—precisely to obtain the votes of people at the lower end of the economic scale.

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Ecuador: Finance Minister on Deficit

96SM0336A Quito EL COMERCIO in Spanish 29 May 96

[Unattributed article: "Deficit: 810 Billion Sucres Less" — received via Internet]

[FBIS Translated Text] The government remains determined to leave the nation—as it says—in "a sound financial condition" not only to protect its own image but because it is a commitment made to the international organizations that are monitoring Ecuador's economy.

A potential fiscal deficit (as of the end of 1996) of 1.3 trillion sucres—equivalent to 2.3 percent of the GDP—was announced last March.

Steps were immediately taken to reduce it.

Following cuts in the budgets of all public institutions—including Petroecuador [Ecuadoran State Petroleum Enterprise] and Inecel [Ecuadoran Institute of Electrification]—that reordered (the official term used was "prioritized") government spending, and thanks to the rise in the price of Ecuadoran crude, the projected deficit has now been reduced by 810 billion sucres.

In other words, the present government now projects a deficit of 490 billion sucres as of the end of this year, equivalent to 0.85 percent of the national GDP, which is in turn projected to be 57.6 trillion sucres this year at current prices.

According to the calculations of Finance Minister Ivan Andrade, the budgetary cuts alone total 550 billion sucres, which would place the deficit at 750 billion sucres.

Andrade says that the rise in the price per barrel of Ecuadoran petroleum from the $14 per barrel projected in the budget to an average of $15.5 per barrel will enable the nation to collect additional revenue and thereby reduce the projected deficit by an estimated additional 260 billion sucres.

Although Ecuadoran crude has actually reached levels as high as $17 per barrel on the international market, the official readjustment of the budget was based on an average price of $15.5 per barrel.

The finance minister explained that this increase will yield approximately 396 billion sucres per year in additional revenue for the nation.

In this way, the problem of the fiscal deficit—which does not fit into the plans of the government's economic authorities—is beginning to be solved. The cost: reduced public works and services.

These government officials have told organizations such as the IMF that their goal is to leave the nation with a balanced budget, without either a deficit or a surplus.

The problem for the incoming government, Andrade explains, is how to obtain more revenue in view of an impending decline in world prices for crude.

Finance Minister Andrade's assessment is based on the fact that Iraq will be able to place its quotas of petroleum on the world market, inasmuch as the UN has lifted the trade embargo on that country.

Iraq's quota—the second largest in the world after that of Saudi Arabia—will have the effect of increasing the overall supply of crude.

Moreover, the domestic monetary reserve [RMI] has recorded a downward trend during the past two weeks.

According to data from the Central Bank [BC], as of 23 May the RMI stood at $1.5479 billion, $58 million below the highest total recorded yet this year, when it was $1.606 billion.

Analysts say that this decline occurred because the BC had sold dollars on the market to support the demand for the greenback [billete verde] that was caused by the electoral process now in progress in Ecuador.

Paraguay

Paraguay: Deputies View U.S. Envoy's Remarks on Corruption

PY3105152496 Asuncion NOTICIAS in Spanish 31 May 96 pp 6-7

[FBIS Translated Text] U.S. Ambassador Robert Service's report on rampant corruption in Paraguay prompted a harsh debate in the Chamber of Deputies. Deputy Gilberto Vazquez of the PLRA [Authentic Radical Liberal Party] submitted a draft resolution calling for a meeting of the three branches of the state — executive, judicial, and legislative — to urgently address "the corruption issue and the policy to deal with it."

Several deputies of the opposition and the ruling party stated their position. Most of them felt that it is time to address this burning national issue. PLRA Deputy Hermes Rafael Saguier accused the opposition [which includes his own party] of complicity with corruption, while Deputy Eduardo Ibarra de Barros, of the ruling Colorado Party, admitted that to some extent the ruling party was to blame. There was some talk of an anticorruption front.

Members of the lower chamber harshly criticized the current state of rampant corruption in Paraguay, and

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stressed the need for an urgent analysis. Several deputies spoke out against the prevailing situation.

Deputies belonging to various blocs took the floor on 30 May to state their opinion. Some of them proposed "starting a debate on the subject," while others adopted a lukewarm position indicating that "Congress as a whole, not just the Chamber of Deputies, should decide on this matter."

The PLRA deputies were in favor of debating a draft resolution which stated that the time had come for the three state branches to focus on the corruption issue.

Even the ruling party bloc did not react badly to the idea. On the contrary, Deputy Eduardo Ibarra de Barros, vice chairman of the Colorado Party bloc, admitted that to some extent his party was to blame for the corruption. He refuted, however, the opposition's charges of generalized corruption.

PLRA Deputy Hermes Rafael Saguier harshly criticized the role played by the country's politicians, particularly by the opposition, which he accused of complicity with corruption.

In view of the critical situation that Deputy Saguier outlined, his fellow party member Deputy Gilberto Vazquez proposed a draft resolution calling upon "the three branches of the state to study the corruption issue and the policy to deal with it."

Although Vazquez asked that his draft resolution be debated immediately, it was agreed that it will be discussed during the chamber's ordinary sessions next week.

The credentials, regulations, and petitions committee will have to study Deputy Vazquez's draft resolution. This resolution seeks to awaken the interest of the three branches of the state, and to hasten action in the quest for a lasting solution to the country's severe loss of institutional prestige, particularly because of the prevailing impunity, the cases of corruption, the cases of bank fraud, and other illegal activities that harm the people at large.

The proposal basically calls for an urgent joint meeting of the three branches of the state to specifically discuss the corruption issue and the policy that should be implemented following the conclusion reached by the representatives of the nation. The possibility of an anticorruption front, supported by the three branches of the state, was discussed.

Upon submitting the draft resolution Deputy Vazquez stated that corruption is getting worse in state organizations so it is necessary to put an end to it.

Paraguay: National Plan To Combat Corruption Urged

PY0506034796 Asuncion ULTIMA HORA in Spanish 1 Jun 96 p 14

[Commentary by Dionisio Borda: "Let Us End Corruption To Reactivate the Economy"]

[FBIS Translated Text] Latin America has been showing a new face to the international community for the past couple of years. Our countries are no longer places dominated by inflation, corruption, and military revolts.

Just yesterday, the international press noted that former Venezuelan President Carlos Andres Perez was sentenced to two and a half years in prison for corruption. In other countries, ministers, high-ranking officials, and even presidents have been removed from office for involvement in acts of corruption.

Latin America is learning that the monopoly of state force cannot be used to protect private interests and make arbitrary decisions, but rather to fulfill the law. The economies and societies of our countries have achieved better results in an environment of respect for institutions and laws. Paraguay has joined these countries through its efforts to control inflation and avoid a barracks revolt, leaving Haiti as the only country in the continent where a military uprising overturned a constitutional government in the past 20 years. These victories of economic stability and the citizenry in defense of their democracy are necessary but not sufficient.

As a country, we have not been able to overcome the stigma of corruption and impunity. U.S. Ambassador Robert Service was categorical about what causes the reduction of capital investments and economic stagnation. Corruption and the weakness of the judicial system block all our attempts at economic revival. What serious foreign company, the ambassador said, will risk investing in a country that is swamped in reports of corruption and where some people are arrested but none are convicted.

Foreign Policy

We have stated, in this column, the belief that the administration's policy of visiting other countries to entice investors has limited possibilities because we do not present the image of a serious country without corruption and with institutional stability. It is not enough to have cheap energy and labor, low taxes, and even a zero inflation rate if we are not credible and predictable because we do not enforce the country's laws. We could draft the best laws, copy the best ones existing in the world, but if we do not enforce them with

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quickness and equality, we will not be able to convince anyone to invest here.

The country has earned international renown for its involvement in, besides corruption, commercial piracy and drug trafficking. As a nation, we should commit ourselves to eradicating these illegal practices. According to reports, foreign citizens and corrupt officials are involved in these operations besmirching the poor and rich people who are betting for the country.

The democratic transition is filled with cases of corruption and empty of punishment and the social rejection of officials and politicians involved in irregular practices. But corruption is also the responsibility of companies and professionals who have been behind corrupt officials.

National Plan

It is an obligation for the government, for society, and for politicians to design a national plan against corruption and impunity in order to recover the trust of the people and investors who want to bet for the country.

A state characterized by patronage and a black market economy is not sustainable in the long term. We have reached the limits of its possibilities.

Mercosur [Common Market of the South] member countries are not willing to have a partner whose competitive advantages derive from systematic violation of the law. The government has a moral obligation to countries that expressed solidarity with our democracy, as well as with our citizens, particularly the youth who defended our threatened democracy with civic courage. Let us put an end to corruption to show that we are a credible country, a full member of a Bolivarian continent, and in order to revive our economy, which has long been stagnant.

Paraguay: Cultural Agreement Signed With Cuban Province

PY0106004896 Asuncion ABC COLOR in Spanish 31 May 96 p 41

[By correspondent Telmo Ibanez from Concepcion, capital of Concepcion Department]

[FBIS Translated Text] Concepcion Department will engage in cultural, social, economic, and educational exchange with Cienfuegos Province, in Cuba. Departmental and Cuban officials attended a ceremony at which the agreement was signed on 30 May. The ceremony was part of the festivities to mark the 223d anniversary of the founding of the city of Concepcion.

Jose Hernandez Bermudez, president of Cienfuegos Provincial Assembly of the People's Government, Concepcion Governor Oscar Denis Sanchez, members of the departmental council, and city hall officials attended the ceremony.

The governor said during the ceremony that Concepcion Department is the first in Paraguay to sign an official agreement with a Cuban province, thus paving the way for cultural exchange.

Hernandez Bermudez advocated further strengthening Paraguayan-Cuban relations.

Five students from Concepcion Department are currently studying medicine in Cienfuegos Province. Now the agreement has been signed the number of Paraguayan students going to Cuba could increase.

Hernandez Bermudez also visited Concepcion Mayor Juan Principalli Bruno, during which the educational exchange between the two countries was praised.

Peru

Peru: Ecuador Said To 'Continuously' Violate DMZ

PY0406230996 Lima EXPRESO in Spanish 1 Jun 96 p A4

[FBIS Translated Text] Despite the repeated protests lodged by the Foreign Ministry and General Daniel Mora Zevallos, Peruvian military representative before the MOMEP (Ecuador-Peru Military Observers Mission), during the months of April and May, Ecuadoran military forces continuously violated the airspace of the demilitarized zone and even Ecuadoran territory on many occasions.

The most recent Ecuadoran violation was perpetrated by an Antonov aircraft that overflew Peruvian airspace from west to east, according to the intelligence report by Peruvian military personnel stationed in watch post Vargas Guerra, near the Morona River and the Compaquiz mountain range.

The aircraft was allegedly also seen by officers at the Peruvian post Cusumasa-Bumbuisa.

The aircraft carried out flights between 2 and 9 April, with the purpose of taking some photographs to establish the position of the Peruvian troops, following orders of the highest-ranking Ecuadoran military authorities.

Several flights by a highly maneuverable Terus were also detected on 4 April. These flights were reported by the commander of the watch post near Yasuni. The small aircraft then headed for the Rocafuerte sector. Due to the low altitude at which it was flying, it is believed that

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the crew members were carrying out tactical observation operations, with the purpose of determining whether the troops stationed in that area of Peruvian territory were equipped with anti-aircraft batteries and, if so, of what caliber.

During the first half of May another aircraft flew over the demilitarized zone, followed by an Israeli-made Avro aircraft, which is fitted with electronic reconnaissance systems.

One week ago the Avro overflew the Geupi zone. It also flew along the borderline from the Santiago River up to Napo, from south to north.

The same aircraft was also seen in Boca de Capones and La Tina, in the border zones of Tumbes and Piura, according to EXPRESO's sources.

These cases of violation of the airspace are in addition to those reported since early April during the meeting of the MOMEP Higher Consultative Committee, related to the violation of the demilitarized zone by Ecuadoran troops.

Peru: 'Reorganization' of Strategy Against Drugs Viewed

PY0506032996 Lima GESTION in Spanish 3 Jun 96 p 28

[Editorial: "Hydra's Heads"]

[FBIS Translated Text] The fight against drug trafficking in Latin America has been going through a slow reorganization, the scope of which is still difficult to predict.

Regarding this Latin American initiative, the foreign ministerial meeting of the Rio Group, held in Cochabamba, Bolivia, last week, has reaffirmed the theory of "shared responsibility," with the purpose of putting drug producers and consumers on an equal footing in the strugle against drugs.

This theory also no longer has merely a strictly declamatory value, because the recent talks with the EU show that Europe would be willing to draw up a new plan for this struggle. This would be beneficial for Latin America, especially in terms of financial aid for the programs to fight drug trafficking.

It is true, however, that the opening spirit shown by the EU is linked to the current competition between the EU and the United States to gain areas of influence. Due to the preponderant U.S. influence in regions undergoing peace processes, primarily Bosnia and the Middle East, Washington would give a bold reply to the European initiative to have strong links based on a new antidrug program in a region that has traditionally been under U.S. influence.

Although the United States is not endorsing the formula for shared responsibility, it does give signs of new impulse to its drug enforcement policy in this region. In this regard, the new drug enforcement strategy announced by President Bill Clinton, which puts emphasis on the struggle against drug demand at home, is compensated by the desire of new U.S. drug czar Barry McCaffrey to reinforce logistical support for the drug producing countries.

On the other side of the spectrum, it should be taken into account that the drug trafficking mafias are also adjusting themselves to the new situation, which is a trend that is clearly seen in Peru. Various experts poinated out last week that there is a clear trend toward diversifying the routes for taking drugs out of the country. This is a response to the progress made by Peruvian authorities in maintaining control over the traditional Amazon routes. This control has gradually cut off the links, very solid in the past, between the coca growing valleys and the Colombian "firms." The strong interdiction action is making those routes very expensive, and this is why the Colombian mafias are no longer willing to keep those supply routes.

This favorable situation, however, has been neutralized by the fact that the price of coca continues to be fairly high, and there are efforts to find new routes. This is where the Mexican mafias come into the picture, as their presence in our country has been noted frequently, much more than the "firms" of eastern Europe (the "narcoplane" case that was going to Russia is an example in this case).

The progress made in the replacement and/or eradication of coca is still insufficient. And while the offer of coca "for export" is still high, drug trafficking will continue to be like a Hydra, with new heads growing to replace the ones cut off, but with an additional burden: Drug trafficking continues to have the power to infiltrate the institutions through state corruption, and this is a weapon drug traffickers can use any time. Colombian President Ernesto Samper said that Brazil, Mexico, and Peru are beginning to feel the corrupting power of drug trafficking. This is a warning that should be taken seriously.

Peru: Identity of Alleged Japanese Terrorist Confirmed

PY0506035296 Lima EXPRESO in Spanish 4 Jun 96 p A12

[FBIS Translated Text] After several days of uncertainty, the Japanese terrorist arrested by Dincote [Na-

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tional Counterterrorism Directorate] was fully identified as Kazue Yoshimura, who is believed to be the Japanese Red Army [JRA] leader. She will be extradited to Japan within the next few days.

The Japanese terrorist was arrested thanks to information provided to Dincote by the CIA, which had detected her forged passport in the name of Yoko Okuyama.

From that time to her arrest on 25 May, the Dincote drafted and followed a plan to trace her. Four niseis who are supposed Shining Path [SL] members were also arrested.

Codified subversive documents that, according to reliable sources, contain thorough information on her meetings with SL terrorists were seized from her.

Preliminary investigations show that three important agreements can be deduced from analysis of her documents. The first would be designed to reinforce the SL in an attempt to recover from the hard blows imposed by the antisubversive police over the past few years.

Another agreement reportedly deals with a change in tactics used by the pro-Maoist gang to conduct its violent attacks. It proposes a peaceful coexistence to attract public opinion and not alienate people by exploding car bombs or through any other indiscriminate attacks.

The terrorists only countenance the selective murder of those considered to be "traitors."

The last agreement seeks to avoid contacts in handling the money obtained abroad.

The Japanese terrorist is reportedly not the only person who came to Peru to coordinate actions with SL. Investigations conducted by Dincote show that nearly 15 JRA members have been residing in Peru for one year.

Some of these JRA members reportedly participated in drafting a plan to kill President Alberto Fujimori during one of his trips to Japan in 1993.

Intelligence sources reported that on that occasion, the Japanese Police arrested those involved in the plan, which was to be executed in reprisal for the arrest of SL leader Abimael Guzman, aka Gonzalo.

As soon as the incident was disclosed, Dincote agents went to Japan, where they discovered the links between the JRA and SL.

It has been learned that the Japanese terrorists who arrived in Lima had reportedly been in Huaral, Satipo, Chanchamayo, Huallaga, and Madre de Dios. They reportedly stayed in Madre de Dios Department to contact their counterparts who were hiding in Brazil.

Peru: Japanese Citizen Said Linked to Shining Path

PY0406224096 Lima LA REPUBLICA in Spanish 2 Jun 96 pp 2-3

[By Angel Paez]

[FBIS Translated Excerpt] The Peruvian National Counterterrorism Directorate [Dincote] has established that Yoko Okuyama, a Japanese citizen arrested in a house in the Jesus Maria neighborhood on 25 May, came to Peru to bring money to the Shining Path terrorist movement and restore links between the Japanese Red Sun Committee and the SL faction headed by Oscar Ramirez Durand.

According to Dincote, the Japanese terrorist cell is one of the main suppliers of money to finance the terrorist actions carried out by the group headed by Comrade "Feliciano."

Dincote agents believe the Japanese citizen came to Peru to resume contact with the PCP-SL [Peruvian Communist Party-Shining Path], which was lost when the terrorist group split up.

Due to the clashes between those who follow Abimael Guzman Reinoso, who upholds the so-called "peace agreement," and those who continue to uphold the armed struggle, headed by "Feliciano," the PCP-SL groups in various parts of the world broke their ties with the organization until its leadership is redefined.

The International Revolutionary Movement, MRI [Movimiento Revolucionario Internacional], under which the Maoist parties of various countries are grouped, withdrew its support for Ramirez Durand as a result of the pressure being exerted by Javier Esparza Marquez, Guzman Reinoso's brother-in-law, who headed the entire SL propaganda apparatus at an international level.

However, Ramirez Durand's followers, among them Luis Arce Borja and Alberto Olaechea Cahuas, managed to get most cells to question the leadership of Guzman's brother-in-law.

They also managed to get the MRI to rectify its stance and once again support the PCP-SL, this time under the leadership of "Feliciano."

In fact, once "Feliciano's" control over the main international cells was restored, including those in Madrid, San Francisco, London, Mexico, New York, and Brussels, the Sol Peru Committee of Japan also upheld the armed struggle.

The documents seized from Yoko Okuyama reveal that around 1994 the SL members in Japan reactivated their

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relationship with the so-called "correct trend" headed by Ramirez Durand.

Dincote sources stated that the Japanese cells comprised two different types of militants: Peruvian nisei who work in factories and Japanese citizens who uphold an extremist ideology.

Documents written in Japanese found among the belongings of the arrested Japanese citizen have been sent to special translators to determine whether Yoko Okuyama is in truth the terrorist Kazue Yoshimura, as the Japanese Embassy in Lima suspects.

Photographs, fingerprints, and copies of the arrested woman's handwriting were sent by Dincote to Interpol to compare them with the records the Japanese police have had for more than 20 years, when they started to investigate her after discovering she was one of the leaders of the feared Nippon Sekigun or Japanese Red Army, ERJ.

According to Dincote, Yoko Okuyama has denied being Kazue Yoshimura and belonging to the ERJ.

Interpol has the last say in the matter. [passage omitted]

Dincote assumes, and Japanese diplomats in Lima agree, that the ERJ had established contact with one of the SL cells established in Tokyo, Osaka, or Nagoya.

Approximately 200 Peruvian citizens live, legally or illegally, in Japan. Most of them are workers, among whom were members of the Red Sun [Sol Rojo] Committe, the SL's propaganda group in charge of collecting funds to send to Peru to finance the PCP-SL's activities.

In 1994 the Peruvian media reported that interviewed SL members gave assurances there were slightly more than 100 of them and that every three months they sent the SL "up to $20,000."

The money was sent through the Red Sun Committee in New York, through an exchange house called "Sayko" that has branches throughout Japan and, in particular, serves immigrants who send their savings to their families.

Yoko Okuyama, according to the police, was allegedly recruited by those SL members and, if it is confirmed that she is actually the terrorist Kazue Yoshimura, member of the ERJ, it is quite likely that she may have trained SL groups.

Peru: Japanese Red Army Suspect To Be Deported 5 Jun

OW0506054396 Tokyo KYODO in English 0343 GMT 5 Jun 96

[FBIS Transcribed Text] Rio De Janeiro, Brazil, June 4 KYODO — The Peruvian Government has decided to deport to Japan a suspected member of the Japanese Red Army arrested last month on suspicion of consorting with local guerrillas, a Peruvian Government source said Tuesday [4 June].

Kazue Yoshimura, 49, will be deported as persona non grata despite the absence of a formal extradition treaty between Japan and Peru, the source said.

The Peruvian Government will also deport a boy who was with Yoshimura and who was taken into protective custody, the source said.

Yoshimura and the boy will be deported on a flight leaving Lima on Wednesday night and she will be arrested by Japanese police traveling on the same plane when the plane enters Japanese airspace, Japanese sources said.

Sources at Peru's antiterrorist police headquarters said Yoshimura has been held under tight security since her arrest May 15.

She reportedly said she had no link to terrorists when interviewed by a police psychologist.

Yoshimura reportedly appears depressed, but is physically strong enough for the 20-hour flight from Lima to Tokyo.

Yoshimura has been on an international wanted list since 1975 as a suspected participant in the 1974 seizure of the French embassy in the Netherlands.

Uruguay

Uruguay: Cuban Officials Complete Economics Course

PY0106014396 Madrid EFE in Spanish 1726 GMT 31 May 96

[FBIS Translated Text] Montevideo, 31 May (EFE) — A group of 30 high-ranking Cuban officials, including a vice minister, today finished a market economy course in Uruguay. The program specially emphasized a project to create a central bank in the island.

Professors from the Social Sciences School Economy Department of the University of the Republic of Uruguay led the six-week course. They had technical and financial support of the Swedish Cooperation Agency.

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In July, Uruguayan experts will travel to Havana to give a graduate-level course on macroeconomic policy, to evaluate this experience, and to define the project's next stages.

Economy and Planning Vice Minister Julio Vazquez, the highest-ranking student on the course, today thanked Uruguay and Sweden for this support to the Cuban economy. He said that even though Cuba "has not come out of the crisis," it is receiving the benefits of the adjustment and foreign opening program implemented in 1990.

Vazquez said the GDP grew by 2 percent in 1995 and is expected to grow by 5 percent in 1996.

The vice minister said that more than 200 economic associations with foreign companies have been constituted in Cuba, worth over $2 billion.

A communique issued by the Cuban delegation says: "This joint effort allowed us to become acquainted with Uruguayan experiences in economic regulation, and the instruments and categories of applied analysis. This is important for the economic opening, and the transformation and international insertion of the Cuban economy."

The note adds that the process "is becoming a reality according to specific characteristics, while maintaining the social victories achieved" by the Cuban system.

The course was closed by Uruguayan Vice Minister Hugo Batalla, acting president during President Julio Maria Sanguinetti's absence. He was accompanied by Education and Culture Minister Samuel Lichtensztejn.

Batalla said the course was within Uruguayan Government policies toward Cuba and recalled Cuban President Fidel Castro's official visit to Uruguay last October, his first invitation to a Latin American country in 23 years.

Alfredo Jan, director of macroeconomic policies at the Cuban Economy and Planning Ministry, told EFE that he and those who attended the course are "quite satisfied" with the high quality of the professors and the "honesty" with which they explained positive and negative aspects of the Uruguayan economy.

The high-ranking Cuban officials left the course "reassured" of their "viewpoints" and with the belief that "it is not possible to give anyone a recipe."

Jan stressed that the most interesting part of the course were the visits to the Central Bank of Uruguay and cooperatives like Conaprole [National Cooperative of Milk Producers], which manufactures and exports all types of milk by-products; the discussion on state reform that Uruguay is implementing; and the juridical standardization imposed by the membership in the Common Market of the South (Mercosur).

French Guiana

French Guiana: 1st European Ariane-5 Rocket Launch Fails

PA0406144896 Paris AFP in Spanish 1300 GMT 4 Jun 96

[FBIS Translated Text] Kourou, French Guiana, 4 Jun (AFP) — The first launch of the European Ariane-5 rocket has failed when it exploded in the air for unknown reasons 40 seconds after take-off from the Kourou Space Center in French Guiana.

The new heavy European rocket was transporting four Cluster scientific satellites of the ESA (European Space Agency) that were destroyed.

This launch was the first of two test [calificacion] flights of the new heavy rocket designed to replace the Ariane-4 rockets.

The second Ariane-5 test flights scheduled for September will most probably be postponed after the failure experienced by the first, and the first commercial flight scheduled for the first trimester of 1997 will suffer the same fate.

Twelve European countries participated in the Ariane-5 program in which the ESA invested 37 billion francs ($7.1 billion).

86 launches, the previous Ariane rockets suffered eight failures. [sentence as received]

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